DEFENCE CONSTRUCTION CANADA

60 YEARS ANS
DCC | CDC

ANNUAL REPORT 2013-2014

NAVIGATING CHANGE

OPPORTUNITIES IN TRANSFORMATION

Canada

COVER PHOTO

Utilities Corridor, CFB Esquimalt. This underground concrete reinforced tunnel runs down the centre of the base's main road for over half a kilometre, with several access chambers. The $20-million corridor will house a wide range of utilities and permit easier maintenance and upgrades.

Defence Construction Canada
Construction de Défense Canada

CORPORATE PROFILE

Defence Construction (1951) Limited, operating as Defence Construction Canada (DCC), is a Crown corporation that provides innovative and cost-effective contracting, construction contract management, infrastructure and environmental services, and lifecycle support for Canada's defence requirements. It has two primary Client-Partners: the Infrastructure and Environment (IE) community at the Department of National Defence (DND), and the Communications Security Establishment Canada (CSEC). From project needs planning to facility decommissioning, DCC's work covers a broad spectrum of activities. DCC's resources are divided among five service lines.

CONTRACT SERVICES

The Contract Services team oversees the procurement of goods and professional, construction and maintenance services to fulfill Canada's domestic and international defence infrastructure needs.

CONSTRUCTION SERVICES

The Construction Services team supports the creation, renovation and maintenance of facilities for DND's infrastructure and environmental program.

ENVIRONMENTAL SERVICES

The Environmental Services team helps DND meet environmental performance targets, comply with regulatory requirements, and manage due diligence and risk.

PROJECT AND PROGRAM MANAGEMENT SERVICES

The Project and Program Management Services team advises on matters such as building requirements, program planning, and schedule and document control.

REAL PROPERTY MANAGEMENT SERVICES

From needs planning to facility decommissioning, the Real Property Management Services team supports the efficient operation of DND's infrastructure.

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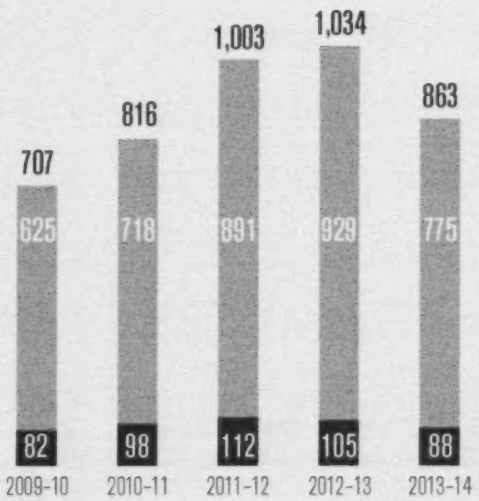
PERFORMANCE HIGHLIGHTS

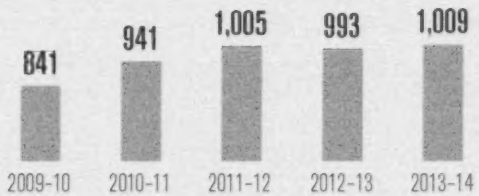
SERVICES REVENUE
($ MILLIONS)

NUMBER OF EMPLOYEES
(BASED ON FULL-TIME EQUIVALENTS)

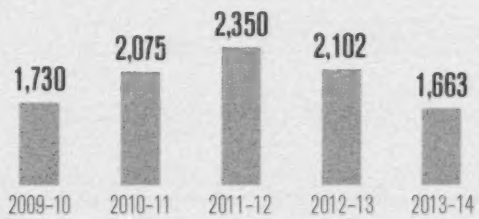
CONTRACT PAYMENTS
($ MILLIONS)
CONSTRUCTION GOODS AND SERVICES
PROFESSIONAL SERVICES



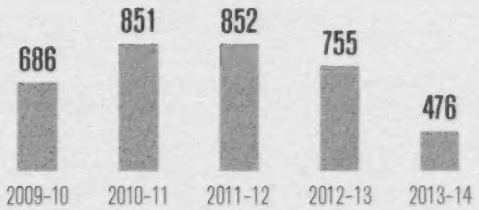
CONTRACT PAYMENTS PER EMPLOYEE
($ THOUSANDS)



NUMBER OF CONTRACTS AWARDED



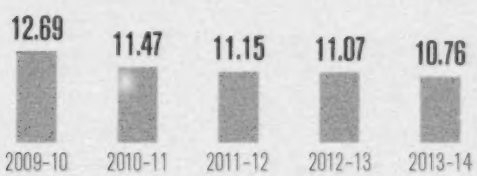
VALUE OF CONTRACTS AWARDED
($ MILLIONS)



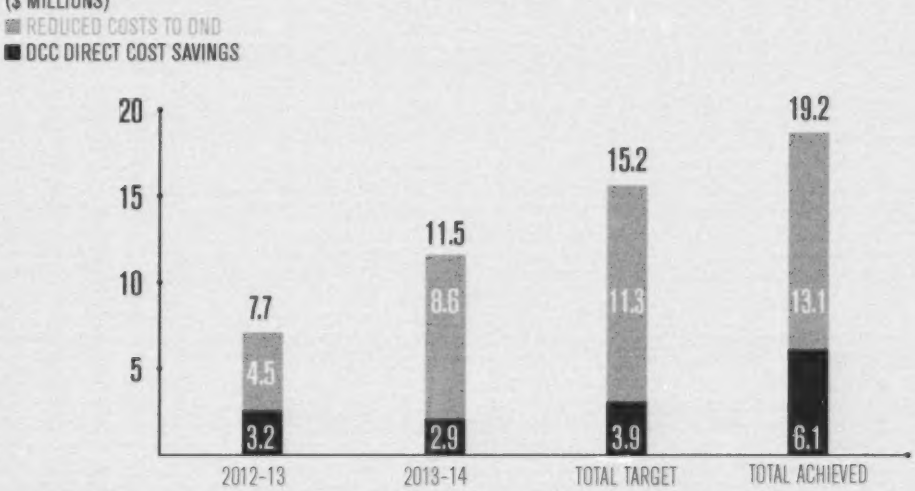
SERVICE DELIVERY RATING
(CLIENT SATISFACTION)

UTILIZATION RATE
(PERCENTAGE OF EMPLOYEE HOURS SPENT ON BILLABLE CONTRACT WORK)

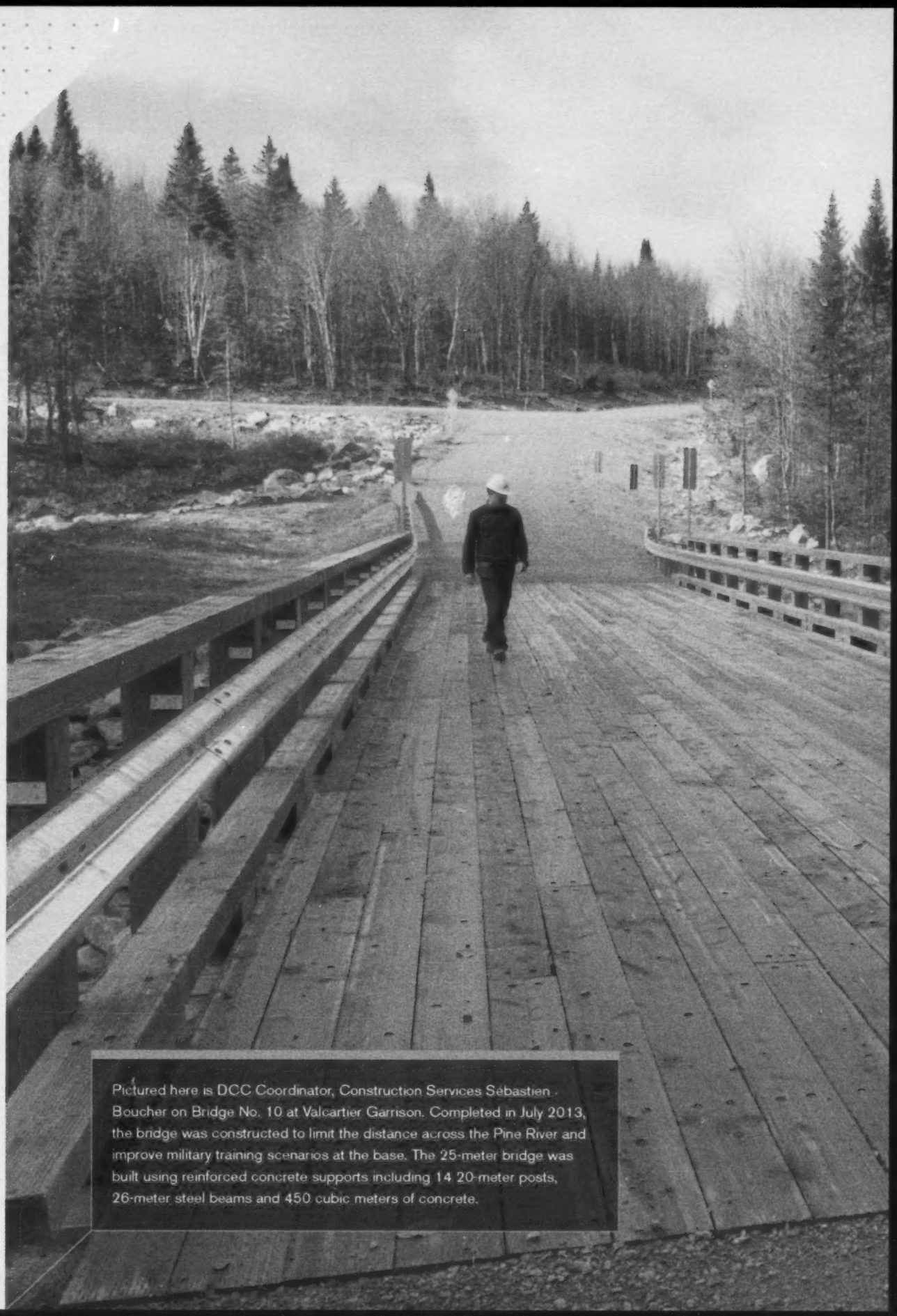
COST OF SERVICE DELIVERY
(SERVICES REVENUE AS A PERCENTAGE OF CONTRACT PAYMENTS)



DEFICIT REDUCTION ACTION PLAN (DRAP) SAVINGS
($ MILLIONS)



This graph highlights the total savings achieved during the first two fiscal years of DRAP measures. For a detailed explanation, refer to section 6.8 on pages 58–60.



Pictured here is DCC Coordinator, Construction Services Sébastien Boucher on Bridge No. 10 at Valcartier Garrison. Completed in July 2013, the bridge was constructed to limit the distance across the Pine River and improve military training scenarios at the base. The 25-meter bridge was built using reinforced concrete supports including 14 20-meter posts, 26-meter steel beams and 450 cubic meters of concrete.

NAVIGATING CHANGE

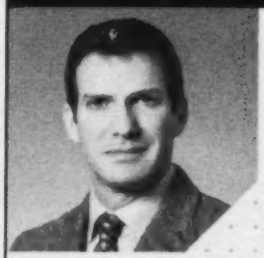
OPPORTUNITIES IN TRANSFORMATION

As the Department of National Defence continues its process of renewal and transformation, so too does DCC. We understand that organizational transformation takes strategic planning, thoughtful management and, of course, time. With DND forecasting its transformation efforts to continue through 2016, DCC has aligned itself to evolve alongside our Client-Partner, so that we can deftly handle the impacts of this change, through 2016 and beyond.

DCC's flexibility, responsiveness and agility reflect the value that we have always brought to our work with DND. Our two organizations have managed major changes before, and so DCC is well equipped to offer the resilience needed in order to maximize efficiency, streamline business processes and deliver the operational results our nation expects.

Our unique role as a self-sustaining Crown corporation has allowed us to respond as needed, when needed, wherever needed. Managing change is what we do, and we are proud to offer our experience to DND at this critical time as, together, we work to create maximum value for all Canadians.

MESSAGE FROM THE CHAIR



Ensuring business success in the face of a changing environment compels an organization to ask an existential question—what key advantage do we offer our Client-Partners? The question of fundamental added value is key for any corporation to justify its existence to its shareholders, and is critically relevant in an era of government transformation.

For Defence Construction Canada, our advantage has always been our ability, and indeed our responsibility to contour the Corporation not just to meeting the needs of our Client-Partners, but to the challenges faced by broader government in the defence of Canada. This is our mandate—to meet the infrastructure needs that support the defence and security of our nation.

This means we must be ready to take on any challenge, whether working in the remote expanses of the Arctic or in the dusty deserts of Afghanistan. Time and again, we have proven equal to any challenge or project asked of us. Thanks to our agility and our experience, we not only respond to the changing needs of our Client-Partners and the resulting challenges they may bring; we anticipate them.

Over the years, we have developed new areas of expertise, from environmental remediation to unexploded explosive ordnance removal and data security. We have transformed, and continue to transform, our structure and processes to optimize the value we bring to our projects. As our expertise has grown, we have also welcomed the opportunity to work with Communications Security Establishment Canada as a new Client-Partner.

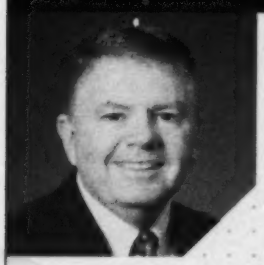
We also continue to support our longstanding relationship with the Department of National Defence and the Canadian Armed Forces (DND/CAF). As DND/CAF charts its process of renewal and transformation, reimagining their internal structures and processes, we are uniquely positioned to create significant value for them. Our unrivalled knowledge of DND/CAF's infrastructure, coupled with our 63-year history of working together for the defence of Canada, enables DCC to fulfill not just a key performance role, but to add value through advice and guidance.

On behalf of the Board of Directors, I extend our deep appreciation for the opportunity to witness all that DCC employees accomplish for our Client-Partners. DCC would not be able to achieve this level of success without the outstanding efforts of its dedicated employees across the country. I wish to thank all DCC staff for their dedication and commitment in everything they do to ensure that DCC contributes in such a significant way to meeting the needs of our Client-Partners and the Government of Canada. DCC is making a difference, every day.

At this time, I would also like to personally thank the members of the Board of Directors for their service to DCC, particularly Kris Matthews, who retired in October last year—and to welcome our new members, Lori O'Neill and John Boyd. All of our Board members bring a wide range of expertise and experience to their work, and I am privileged to work alongside such a talented group of individuals.

Robert Presser
Chair of the Board of Directors

MESSAGE FROM THE PRESIDENT



Innovation and Integrity. We put these two important initiatives into practice in everything we do at Defence Construction Canada, especially into the continued process of transformation that ensures we are evolving toward our vision of being a leader and employer of choice, valued by our stakeholders and partners, in the achievement of our mission.

As an organization, we are focused on our mission to provide the most effective and efficient delivery of the services that we provide for the defence of Canada. Transforming the ways in which we deliver these services is top-of-mind for everyone in the organization, and we have launched innovative corporate initiatives to meet the Government of Canada's priorities and expectations in this area.

We are also optimizing service delivery through the introduction of a Corporate Performance Management Framework that is best in class. To support the integrity and resilience of our operations, we have established and/or enhanced frameworks around our practices related to governance, relationship management and strategic planning, as well as procurement integrity. We have modified our systems to better support our employees with the right business processes and mechanisms—the hardware, software and other tools needed to do the best job possible. And we have continued to focus on security in the protection of our own information and that of the projects we deliver.

Innovation and integrity are driven by our employees, who are our key asset. We encourage innovation through such initiatives as our new innovation award, InnoviCulture, which helps foster our culture of innovation and recognize ideas for improvements in all aspects of DCC's operations—ideas that originate with our employees and bring value to the organization and our Client-Partners.

We also reach out to engage with our industry partners in the construction and engineering, and architectural consulting communities. As one of our most recent initiatives, to help drive the innovation agenda for the construction industry in Canada, we are a founding member of the new Canadian Construction Innovation Council. Such collaboration helps strengthen the understanding and relationship with our industry partners and supports the principles of access to fair, open and transparent procurement opportunities. This enables DCC to attract quality firms and organizations to bid on our work and to deliver projects with the best possible value and highest standards for our Client-Partners, while also contributing to healthy competition that achieves value for taxpayers.

This ongoing process of transformation has led to the optimization of the way DCC delivers its services, resulting in increased value for money for our Client-Partners. Our initiatives in innovation and integrity guide our daily activities and in turn help to drive DCC's evolution toward our vision while fulfilling our mission and value statements. This is the direction we want to go—now and in the future.

James S. Paul
President and Chief Executive Officer

Pleasantville Consolidation, CFS St. John's. The new $117.8-million, four-storey, 32,000 m² multi-use, single structure will replace 13 buildings and house vehicle maintenance garages, warehouse space, a gymnasium, medical unit, mess hall and offices.

TRANSFORMATION

RENEWING THE INFRASTRUCTURE LIFECYCLE

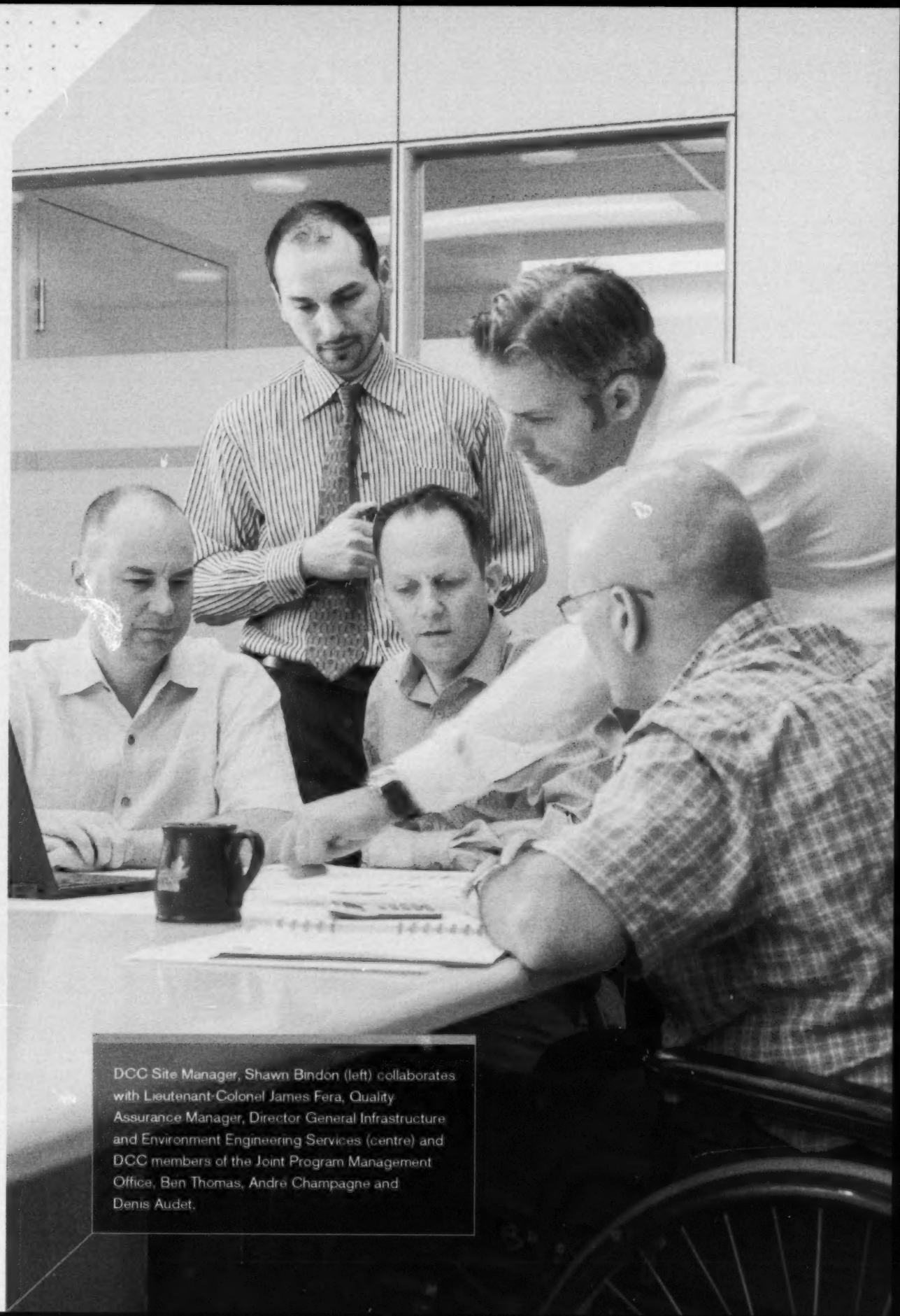
DCC's longstanding partnership with DND was built on a history of collaboration and shared expertise, resulting in a vast array of facilities built over more than 60 years. Driven by the need to deliver this infrastructure in often challenging circumstances—from the Arctic to Afghanistan—DCC has consistently transformed to ensure our services allow us to always meet, and indeed anticipate, our Client-Partner's changing needs.

Today, against a backdrop of continued change, we are helping DND to transform facilities that we helped to build many years ago, as project lifecycles come full circle from creation to renewal.

At CFS St. John's, for example, we awarded one of the largest contracts in our history to consolidate 13 of the base's buildings into a single, 32,000-m^2 multi-use facility. The depth of our experience helped overcome the challenges on this $117.8-million, design-build project, including on-island supply shortages of construction materials and tradespeople. DCC's daily on-site presence and partnership approach to working with DND and our contractors contributed significantly to the project's success.

Our ability to adapt is also reflected in the unmatched expertise we developed to remediate mid-20th century radar sites in Canada's north. We deftly integrated project management, contract management, contracting and environmental services to implement the DEW Line Clean-up project, in which 21 sites have been inspected and cleaned up, and are now moving into the ongoing monitoring phase.

To achieve this success, we worked closely with DND, industry experts, northern communities and contractors, developing new environmental solutions that will be of service to others working in this fragile and precious region. DCC's skills and knowledge proved invaluable when DND and the Ontario Ministry of Natural Resources sought our advice on the clean-up of Mid-Canada Line sites in northern Ontario. With eight of 11 sites now completed, the remaining sites are expected to be finished by 2015—ensuring a safer environment in the North for years to come.



DCC Site Manager, Shawn Bindon (left) collaborates with Lieutenant-Colonel James Fera, Quality Assurance Manager, Director General Infrastructure and Environment Engineering Services (centre) and DCC members of the Joint Program Management Office, Ben Thomas, André Champagne and Denis Audet.

VALUE

OPTIMIZING STRUCTURE AND PROCESSES

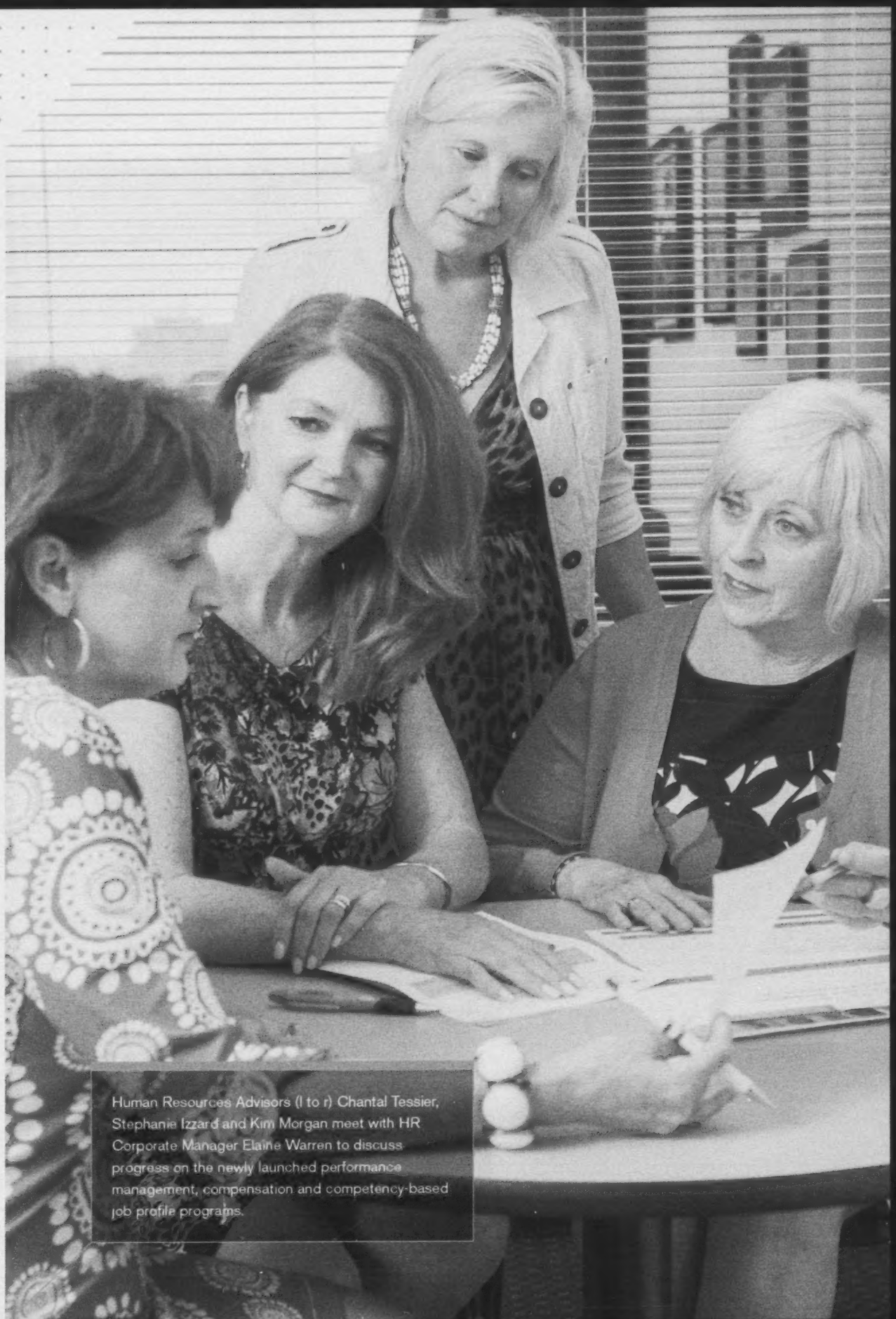
DCC continues to focus on delivering maximum value and cost efficiency to our Client-Partners and, ultimately, to the Canadian taxpayer. This encompasses two wide-ranging and related initiatives: optimizing our service lines and business practices, and meeting or surpassing our cost reduction commitments to DND.

Our optimization project is a multi-year approach that is already yielding success. We have, for example, developed a robust business management reporting capability that will allow precise monitoring of operational activities, and are currently establishing data trends that will permit complete analyses of results by activity and by program. We are also reorganizing the Joint Program Management Office in Ottawa to centrally coordinate DCC/DND needs. This will enhance communication between us, increase opportunities to build new relationships and capabilities, and improve access to issue resolution processes.

At the regional level, staff have helped us identify and implement further opportunities for optimization, including simplifying the Client-Partner service level arrangement process, streamlining or eliminating inefficient forms, and developing a risk-based verification system that is an improved audit process. In Corporate Services, DCC has successfully reduced travel, hospitality, relocation, office supply and salary costs.

Although DCC is a Crown corporation that does not receive appropriations, we aligned ourselves with our Client-Partners by participating in the Government of Canada's Strategic and Operating Review, focused on achieving sustainable public finances, reducing the cost of government, and showing accountability for performance. This initiative is now known as the Deficit Reduction Action Plan (DRAP), and affects the four fiscal years beginning in 2012–13.

Through DRAP, DCC committed to reducing the cost of our services to DND by freezing billing rates through 2015–16, and by reducing the costs of construction contract management services provided to DND by 5%, largely through our optimization efforts. We have surpassed this commitment, and remain focused on helping our Client-Partners manage change, whether consolidating operations centres, finding cost efficiencies, developing more efficient procurement practices, or realigning technical expertise.



Human Resources Advisors (l to r) Chantal Tessier, Stephanie Izzard and Kim Morgan meet with HR Corporate Manager Elaine Warren to discuss progress on the newly launched performance management, compensation and competency-based job profile programs.

QUALITY

FOCUSING ON PERFORMANCE

DCC's commitment to high performance fuels our continuous improvement and the internal transformation it requires. Managing performance in every aspect of our business ensures our ability to provide the services that fulfill our Client-Partner needs, and the value for money they expect.

Benchmarking our performance is essential to understanding our value. To establish those benchmarks, DCC has developed a Corporate Performance Management Framework that defines appropriate performance measures, sets out processes to collect related information, and provides senior management with the data needed to monitor performance against plans. To support this framework, we have fully reviewed DCC's key performance indicators and business performance indicators, to collect the right information at the right time to drive improvement.

Our employee performance system is designed to reflect this focus on value and excellence. Job performance is evaluated based on competency, with compensation adjustments in turn based on merit, to reward high performance. Competency-based job profiles and a newly implemented online performance review system round out this fiscally responsible, equitable approach, which compares to that demanded by both the private and public sector. In fact, our approach to managing employee leave, which has been in place for several years, is similar to the new approach now being adopted by the federal government as a way to reduce financial liabilities while supporting employees.

High performance also requires high standards of integrity and ethical business conduct, with 100% of employees complying with the required annual update under our Code of Business Conduct. This strategic document clearly sets out our expectations of employee conduct, thus helping to preserve and enhance public confidence and trust in the integrity, objectivity and impartiality of DCC.

443 Maritime Helicopter Squadron, CFB Esquimalt. At the Victoria Airport, DCC managed the construction of the $106-million, 20,000 m² 443 Maritime Helicopter hangar. The hangar will be used to maintain the nine new Cyclone helicopters.

AGILITY

COMMITTED TO SUSTAINABLE BUSINESS

DCC's agile and flexible business model has always allowed us to respond quickly and successfully to our Client-Partner needs. In fact, we share their goals: to deliver projects on time, effectively and efficiently, wherever they are required. Our six decades of military construction experience—from bases and wings across Canada, to sites in the Far North, across Europe and in Afghanistan—position DCC as the consistent corporate memory for defence infrastructure in Canada.

Our legislated mandate is clear: we provide a full range of infrastructure services and lifecycle management for the defence of Canada. As a Crown corporation, we have a wide flexibility in the way we manage our business, in times of both expansion and restraint. Our unique position, standing halfway between the public and private sectors, provides us with an important ability to meet Government of Canada commitments to fiscal restraint while operating like a private-sector company.

Because we operate on a fee-for-service, not-for-profit basis, we run a business that is self-funded and sustainable, imbued with an entrepreneurial spirit. We're flexible: we can scale up or down quickly as needed, with established human resources policies similar to those of the private sector. Our culture enables us to adjust to the ebb and flow of the business without compromising service quality. We offer value for money: our entire team is dedicated to resolving challenges at a moment's notice, and our staff are increasingly empowered to deliver immediate decisions based on our tested best practices. And we are fair: we leverage our industry connections to ensure that businesses have fair and equal access to the millions of dollars' worth of contracts issued regularly while protecting the Crown's interests and those of our Client-Partners.

By design, DCC's business model ensures value for money, strong service delivery for our Client-Partners and financial sustainability. We are proud of our commitment to each of these goals, and of our record in achieving them.

DCC Coordinator, Construction Services Kirk Ventress and Health and Safety Coordinator Sandra Heidel inspect Phase 1 of the new CFHA housing at Garrison Petawawa. The new military housing is a unique build as modular units are pre-manufactured in a plant and transported and craned in place. When occupied, the new homes will be maintained through the CFHA facility management service contract.

INTEGRITY

PROTECTING PROCUREMENT INNOVATION AND PROCESS

The procurement process lies at the core of DCC's ability to provide value for its Client-Partners. Our dual focus on innovation and integrity throughout the procurement process reflects this, while our changing business environment presents ideal opportunities to evolve our processes and practices.

Streamlining the process for contracting design and construction through a "modified design-build" is just one example of ensuring better value for the Crown. By going to tender only once, for the cost of design, the process rolls several contracting steps into one. Once the contractor has been selected and the project moves forward, the contractor prices the project for services and materials. This removes much of the administrative burden of the current process, and is resulting in better coordination between architect and builder, significantly reduced change orders and disputes, and better quality in the resulting infrastructure.

At Garrison Petawawa, meanwhile, we are preparing to pilot a project for the Canadian Forces Housing Agency that bundles maintenance service contracts. By merging existing standing offers into one, we can reduce duplication of effort and increase efficiency through a project management approach to maintenance and repair contracts. This is expected to lead to quicker responses for our clients, increasing the quality of life for Canadian Armed Forces families, increased transparency in the procurement process, while offering better economies of scale and increased rent returns.

We continue to leverage the success of our public-private partnership (P3) that built the long-term accommodation project in Ottawa for the Communications Security Establishment Canada, and we are also moving to full electronic procurement, to save time and money, working with industry for an expected 2015 rollout.

As we develop these processes, integrity remains essential. Our Procurement Code of Conduct sets out the ethical responsibilities of our contractors, who must certify their compliance. We are also conscious of our operating environment, and have therefore instituted a bidder verification process to confirm that bidders comply with the DCC Procurement Code of Conduct before awarding a contract and during its performance. This fiscal year, 100% of procurements were verified for compliance. Our partnership with Public Works and Government Services Canada supports this, allowing us to carry out integrity verifications on winning bidders and ensure we do not award contracts to firms that have been convicted of offences listed in the Code.

THE ORGANIZATION

EMPLOYEES

DCC's greatest asset is its people, and its corporate success is built on employee ability and commitment. DCC has a dedicated workforce of professional, technical and administrative people. Other specialists in finance, human resources, information technology, communications and administration support the operations workforce.

During the 2013–14 fiscal year, DCC had 855 employees, based on full-time equivalents (FTEs)—a decrease of 17.9% from 1,041 FTEs in 2012–13. In keeping with its operating objectives, DCC continually adjusts the size of its workforce in response to the anticipated demand for infrastructure services from the Department of National Defence and the Canadian Armed Forces (DND/CAF). The employee headcount continued to decline during the year as the number of employees at fiscal year end was 802, compared to 963 in 2012–13 and 1,061 in 2011–12—decreases of 16.7% and 9.2%, respectively. DCC experienced approximately 100 job losses in 2013–14 due to ongoing workforce adjustments in response to fluctuation in the DND/CAF program.

DCC has many longstanding employees who have enjoyed exciting careers with the Corporation. Each year, DCC recognizes those employees who have achieved employment milestones. In 2013–14, 114 employees reached five years of service with DCC, 30 employees marked 10 years of service, 10 employees achieved 15 years of service, two employees marked 20 years of service, five employees reached 25 years of service and two employees marked a significant milestone of 30 years of service.

During the year, DCC's internal career development practices helped 69 employees progress in their careers through promotions, reclassifications and acting assignments. DCC and DND also benefit from the transfer of skills among operating locations as employees hone their skills and test themselves. In 2013–14, 23 employees transferred from one region to another and 120 employees transferred to a different business unit within the same region.

EXECUTIVE MANAGEMENT STRUCTURE

The President and CEO is accountable to the Board of Directors for the overall management and performance of the Corporation. DCC's President reports to the Chair of the Board. The Executive Team—made up of the President and CEO and four vice-presidents (three for operations, one for corporate services)—is located at DCC's Head Office in Ottawa. In addition to their day-to-day interactions, they meet regularly as the Executive Management Group (EMG), supported by the Corporate Secretary, to review strategic, operational and financial matters for the Corporation.

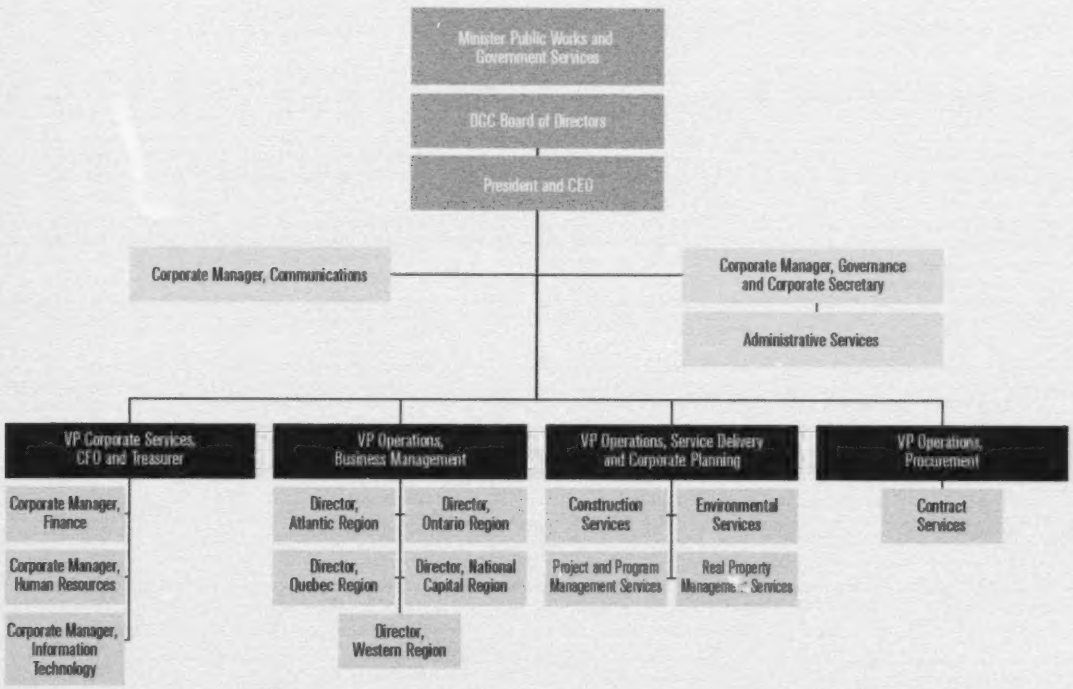
Three vice-presidents, operations are responsible for DCC service delivery, corporate planning, business management and procurement activities. The Vice-President, Operations—Business Management is responsible for the business management of all regions. The Vice-President, Operations—Service Delivery and Corporate Planning is responsible for service delivery for the Construction Services, Environmental Services, Project and Program Management Services, and Real Property Management Services service lines, as well as corporate planning activities that support the strategic initiatives set out in DCC's Corporate Plan. This Vice-President also acts as the Corporate Security Officer.

The Vice-President, Operations—Procurement is accountable for the leadership and oversight of the procurement function across the Corporation, and is responsible for the Contract Services service line. This service line has been on a path of decentralization for the past several years and completed its reorganization in 2013–14.

The Vice-President, Corporate Services is also the Chief Financial Officer and Treasurer, and is responsible for DCC's Corporate Services Division, including human resources, finance and information technology.

Regional directors manage activities in the Western, Ontario, National Capital, Quebec and Atlantic regions through regional offices located in Edmonton, Kingston, Ottawa, Montréal and Halifax, respectively.

The Corporate Secretary is responsible for governance-related matters; ensures that DCC complies with all relevant legislation, regulations and government policies; supports the Board of Directors; and communicates with the Corporation's stakeholders.



National Award winners (back row) Arthur Humble, Michael Farrell, Stephen Toth (front row) Colin Sullivan, Nicole Burgess and Eric Desrochers with DCC President and CEO James Paul. *Absent: Richard Elchuk*

CORPORATE SERVICES

To help DCC deliver services, the Corporate Services Division at the Corporation's Head Office in Ottawa provides support services to the entire organization and contract financial administration services to the client. These services include human resources, finance and information technology.

The Corporate Services Division comprises a strong and dedicated team of employees, including financial experts, human resources practitioners and information technology professionals. Collectively, they have met the ever-increasing challenge of building and maintaining adequate infrastructure to handle the demand for support services in response to growth in recent years. In addition, the group maintains business and operational programs, policies and practices to create an effective internal control system that safeguards corporate assets, while supporting employees and service delivery.

AWARDS

NATIONAL AWARDS 2014

Each year, DCC proudly recognizes the outstanding achievements of its employees and the contributions they make to the success of the Corporation. By honouring these individuals and teams, DCC highlights the innovative spirit and dedication of its most valuable resource—its people. DCC celebrates these achievements annually during the national awards ceremony held in Ottawa. The following were the recipients of the 2014 national awards.

The President's Award is presented annually to the employee who has consistently demonstrated exemplary service to DCC and achieved exceptional results. Richard Elchuk, Site Manager at CFB Suffield, was honoured with this award.

The Real Property Management Services Team from the Quebec Operational Group received the Service Development Award. This award recognizes an employee or group of employees for making a notable contribution to developing and promoting value-added Client-Partner services. This team, led by Dominique Chartier, included Samir Chemrouk, Éric Desrochers, Monica Marin, Guylaine Poirier and Josée Turgeon.

DCC presents Customer Satisfaction Awards to employees who consistently provide exemplary customer service. The range of nominations is a true testament to DCC's commitment to its Client-Partners, and to the importance DCC places on meeting or exceeding client expectations. In 2013–14, DCC was privileged to present this award to the following employees:

- Arthur Humble, Team Leader, Contract Services, from Garrison Petawawa; and
- the Pleasantville Consolidation Project Team from CFS St. John's, whose members include Mike Brown, Jeffrey Hopkins and Colin Sullivan.

The Innovation Award is presented to an employee who has played an instrumental role in developing and implementing an innovative solution. Stephen Toth, Project Leader at CFB Esquimalt, was the 2014 recipient of this award.

Michael Farrell, Coordinator, Environmental Services at CFB Kingston, received the 2014 Robert Graham Memorial Award. This award recognizes an employee who makes a special contribution to improving workplace safety or environmental protection.

FRIENDS OF DCC AWARD

During the national awards ceremony, DCC President and CEO James Paul had the privilege of presenting the Friends of DCC Award. This award formally recognizes an individual who supports and shares our corporate values, and has contributed to our success. The award was presented to Lieutenant-Colonel James Fera, who was honoured for being a partner in delivering defence projects, and for his commitment to maintaining a positive and collaborative working relationship with DCC.

James Paul (left) presents Lieutenant-Colonel James Fera with the Friends of DCC Award during the National Awards ceremony in Ottawa on May 6, 2014.

CORPORATE GOVERNANCE

STEWARDSHIP

DCC reports to Parliament through the Minister of Public Works and Government Services (the Minister). The *Financial Administration Act* (FAA) states that DCC's Board of Directors (the Board) is responsible for the management of the business, activities and other affairs of the Corporation. DCC's bylaws set out the framework for the operation and management of the Corporation, and the Charter of the Board of Directors outlines the particular areas of responsibility. This Charter is available on DCC's website at www.dcc-cdc.gc.ca.

In December 2013, the Chair of DCC's Board received a statement of priorities and accountabilities, also known as a letter of expectations, from the Minister of Public Works and Government Services, Diane Finley. This letter provided key guidance and stated the Government of Canada's expectations of DCC. The Corporation is using this input as guidance in the fulfillment of its mandate and in the drafting of its 2014–15 to 2018–19 Corporate Plan, as well as this Annual Report.

To assist the Board in its responsibilities, the Board relies on its two committees: the Audit Committee, and the Governance and Human Resources Committee. These committees have separate and distinct responsibilities, which are set out in their respective Charters (which are available on DCC's website at www.dcc-cdc.gc.ca). The activities of each committee in 2013–14 are detailed later in this section.

STRATEGIC PLANNING

Board and committee meetings are scheduled to maximize the Board's involvement in DCC's strategic planning process. DCC's annual strategic planning process began in August 2013, when the Board met to discuss its preliminary input into the Corporation's strategic plan. At this meeting, the Board discussed the key priorities of the Government of Canada, how DCC's strategic objectives relate to these priorities, and the best way to demonstrate how DCC is adhering to the spirit and intent of the government's Deficit Reduction Action Plan (DRAP). In September 2013, DCC held its regular strategic planning session for senior management, and a representative of the Board of Directors participated and presented the Board's point of view. DCC executive management then used this input and the discussions from the strategic planning session to inform DCC's five-year Corporate Plan. Other invited participants at this strategic planning session were DCC stakeholder representatives, including the Assistant Deputy Minister (Infrastructure and Environment), DND; the Assistant Deputy Minister (Real Property), PWGSC; and the president of the Canadian Construction Association.

As part of this strategic planning session, DCC's senior management reviewed and assessed the status of the initiatives from previous corporate plans and analyzed the results of an environmental scan that uncovered a variety of issues and trends relevant to DCC's business activities. The draft 2014–15 to 2018–19 Corporate Plan (draft Plan) incorporated this input and set out the key initiatives for the Corporation for the planning period, along with corporate performance measures. After reviewing and commenting on the draft Plan, the Board approved it, along with the annual operating and capital budgets, pending minor amendments, at its meeting in early December 2013.

COMMUNICATION

As part of its efforts to communicate with stakeholders and the public, and in compliance with the FAA, DCC held its 2012–13 Annual Public Meeting on June 5, 2013. Notice of this meeting was posted on DCC's

website 30 days before the event. As is done for each such meeting, DCC invited the heads of industry associations to attend, along with their members. DCC employees are always welcome to attend, as are DCC's Client-Partners. Along with the Chair of DCC's Board of Directors, four board members and DCC's President and CEO were present to answer questions.

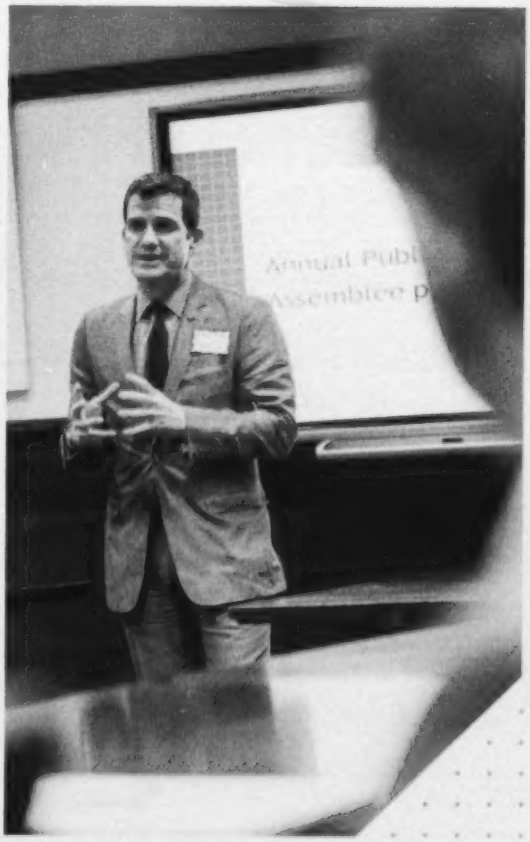
At this year's event, the Chair of DCC's Board of Directors noted DCC's fiscal year results and described the sophistication of the projects in which DCC is involved, as well as the depth of work involved. The fact that DND/CAF is undergoing a transformation was also discussed and it was noted that DCC would remain vigilant in its mandate to deliver best value for money for the Government of Canada. In his presentation, the President and CEO of DCC commented on DCC's role in providing infrastructure services and full lifecycle support for Canada's defence requirements, including services related to construction, maintenance, environmental services, and project and program delivery, as well as facilities management. It was also noted that DCC fosters a fair, competitive and secure marketplace by complying with best practices for procurement. A summary of the proceedings of this meeting may be found on DCC's website at www.dcc-cdc.gc.ca.

The Chair of DCC's Board of Directors and the Minister of Public Works and Government Services seek opportunities to communicate, and the Chair reports any issues raised to the board members. The Board also receives regular reports on the stakeholder engagement and relationship management activities of DCC's President, as well as of each member of DCC's Executive Management Group.

RELATIONSHIP MANAGEMENT

The meetings of DCC's Board of Directors are typically held in Ottawa, with one meeting annually taking place at one of DCC's regional offices across Canada (Atlantic, Quebec, Ontario or Western). The Board encourages DCC's executive management to participate in board meetings, where it makes financial sense to do so.

At each board meeting, vice-presidents, regional directors or other DCC staff members give presentations to board members on such topics as DCC's activities



related to corporate initiatives, how DCC is responding to the needs of its Client-Partners and key concerns facing DCC in a specific region. DCC employees are also given an opportunity to meet board members and to participate in a question-and-answer session with the Chair of the Board so that they can see the role that the Board plays in DCC's corporate governance. In 2013–14, the Board held a meeting at Longue-Pointe Garrison, Montréal (March 2014).

In conducting its affairs, DCC's Board is committed to ensuring that DCC continues to adhere to the spirit and intent of the Government of Canada's DRAP as well as the operating budget freeze, announced in the *2013 Speech from the Throne*, and the *November 2013 Update on Economic and Fiscal Projections*. This means that the Board regularly reviews DCC's operating expenditures and budgets with the President and CEO, as well as the Chief Financial Officer. This review is ongoing and is an important aspect of board oversight.

INDEPENDENCE

Each of DCC's seven board members is independent of DCC management, except for DCC's President and CEO. Such independence is a fundamental principle of good governance. At the end of 2013–14, DCC had a full complement of members, since two new members were appointed and the three members who were continuing to serve beyond the end of their terms were reappointed including the Chair of the Board. The Chair of the Board ensures the effective functioning of the Board as it carries out its responsibilities and duties.

The roles of the Chair of the Board and of the President and CEO are separate, and no employees or corporate officers of DCC serve on DCC's Board. The Minister appoints board members, with the approval of the Governor in Council. Board members may hold office for up to four years, after which time they may continue in office until a successor is appointed, should they wish to do so. The Governor in Council appoints the Chair of the Board, as well as the President and CEO, for such terms as the Governor in Council considers appropriate.

The Board meets at least quarterly and, to demonstrate fiscal restraint and manage expenses, committee meetings are scheduled around board meetings. Private *in camera* sessions are held at board and committee meetings so that members of the Board may meet as a group without DCC management present. The Board also meets regularly with external and internal auditors.

CEO PERFORMANCE

The President and CEO's performance evaluation is directly linked to DCC's overall corporate performance. Further to the continued expectation that Crown corporations adhere to the spirit and intent of the government's Deficit Reduction Action Plan, in May 2013, the Privy Council Office (PCO) added the following corporate commitment initiative to the 2013–14 Performance Agreement of all CEOs of Crown corporations: "To renew and transform business processes through the effective implementation of cost-reduction and efficiency improvement initiatives as identified in [the] Deficit Reduction Action Plan and other government-wide or organizational initiatives." PCO is expected to provide such an initiative each year.

The performance of CEOs of Crown corporations will be assessed against this initiative as well as against the other initiatives related to the performance of their individual Crown corporations, including those related to policy and program management, shareholder and stakeholder relations, and leadership results.

Through the Chair of the Board and on the recommendation of the Governance and Human Resources Committee, DCC's Board of Directors helped establish the performance agreement, and monitor and evaluate the CEO's performance in 2013–14. As part of this process, the Board reviewed the results and status of the corporate initiatives outlined in DCC's annual five-year Corporate Plan.

As part of the PCO Performance Management Program (PMP), the Board will use the performance agreement and evaluation form as the basis for the President and CEO's 2013–14 performance review and evaluation and the PCO's PMP Guidelines were used for the rating recommendations. Further, the Chair of the Board consulted the Minister and board members to ensure the 2013–14 performance agreement reflected the shareholder's views.

EFFECTIVENESS

DCC's Board uses the PCO guidelines related to establishing a Board of Directors Competency Profile to help identify and clarify the roles and responsibilities of the Board and its committees. This Profile is also used to identify the core attributes, competencies and experience expected of DCC's board members and to define the optimal mix of specific skills, knowledge and experience needed for the Board to function effectively. The key roles and responsibilities of DCC's board members include governance, strategic planning, risk assessment and management, internal controls, performance management and evaluation, and management continuity.

PCO encourages Crown corporations to use such a profile when proposing candidates for board membership to ensure members collectively have an appropriate mix of skills and experience. DCC's board members currently have a good balance of public and private sector experience, along with knowledge of fields relevant to the Corporation's business, such as engineering, law, finance and public administration. There is also gender equity, with four male and two female board members. At March 31, 2014, DCC's Board has a full complement of members.

To assess and ensure the Board's continued effectiveness, all board members are regularly asked to complete a board assessment questionnaire, which also includes questions designed to evaluate the performance of committees and individual board members. The board and committee charters are used as guides in the assessment process. The Board also uses guidance provided by Treasury Board of Canada Secretariat (TBS) on such assessments, to comment on the performance of the Chair of the Board and the chairs of the committees, and to acknowledge areas that are working well. They also evaluate their own contributions as a self-development tool.

In 2013, the Board decided not to conduct a board assessment for a variety of reasons, including the fact that the two newly appointed members had not yet had the opportunity to fully experience the board process and be in a position to assess it thoroughly, and that the issues raised in previous assessments had been dealt with appropriately.

ORIENTATION

It is important that all members of DCC's Board of Directors understand how DCC functions, as well as the role the Board plays in managing the business, activities and other affairs of the Corporation.

Upon their appointment, new board members participate in DCC's full-day intensive orientation program. Separate sessions cover supplemental information. Continuing education opportunities for all board members are available throughout the year. When the Corporation adapts to new requirements or follows new guidelines, such as International Financial Reporting Standards (IFRS), relevant information is provided immediately. Also, at board meetings, members receive regular briefings on DCC's services and programs. Board members may request information on specific issues at any time. DCC is a member of the Institute of Corporate Directors (ICD), and encourages board members to participate in ICD events and to review ICD publications.

When board meetings are held outside of Ottawa, board members are given the opportunity to tour project sites and see how DCC's services add value for the Government of Canada. These activities increase board members' knowledge of DCC's activities and help them understand the environment within which DCC operates. During the March 2014 board meeting at Longue-Pointe Garrison, Montréal, board members saw projects in which DCC had participated, and heard from both DCC personnel and DND/CAF personnel about activities in DCC's Quebec Region.

GOVERNANCE

The Board of Directors is responsible for the governance of DCC. The Board carries out this role in many ways, including approving the strategic direction of the Corporation, as outlined in the Corporate Plan; ensuring that the principal operational and reputational risks associated with DCC's business have been identified and that appropriate systems are in place to manage them, including a corporate risk management framework; and ensuring that information systems and management practices meet DCC's needs and foster confidence in the integrity of corporate information and reports.

The Board ensures that the Corporation is prepared to achieve its goals by overseeing and participating in the strategic planning process, and by providing input and guidance to DCC on the Corporate Plan. It also ensures that DCC management considers public policy objectives, as well as relevant private sector business practices and trends, in managing the Corporation's operations. DCC seeks input from industry on best practices at every opportunity, including at its Annual Public Meeting, and discusses them in DCC's Corporate Plans and Annual Reports, both of which the Board approves.

In 2013–14, DCC launched its new job evaluation system, implemented a revised performance management program and finalized its succession planning management framework after receiving input and support from the Board.

INTEGRITY AND ETHICS

DCC's Code of Business Conduct (the Code) outlines expectations for all DCC employees and is available on DCC's website. This document was updated and amended in 2013–14 and these changes were communicated to all DCC employees. The Code outlines DCC's mission, vision and values; expected behaviours and standard of conduct; rules of conduct and procedures to minimize the possibility of conflict of interest situations arising; and the avenues for the resolution of issues. Whereas the Code has always applied to continuing and term employees, one major change is that it now applies to all employees of the Corporation, including those who are casual or temporary, as well as any person who is under a contract of employment with DCC.

The key areas covered in the Code are standards of conduct and conflicts of interest, including ethical business practices and compliance with legislation, as well as adherence to DCC policies and relevant TBS guidance and policies. The Code was established pursuant to the *Public Servants Disclosure Protection Act* and clearly sets out the procedures for disclosing wrongdoing.

DCC employees are to perform their work-related duties and arrange their private affairs in such a manner that public confidence and trust in the integrity, objectivity and impartiality of DCC are conserved and enhanced. In this manner, the public will have continued confidence and trust in the integrity, objectivity and impartiality of DCC. DCC's Board monitors compliance with the Code through regular reports by the President and CEO to the Governance and Human Resources Committee. This committee also tracks trends and best practices related to ethical business practices and employee conduct.

Annually, DCC employees are required to review their obligations and responsibilities under the Code and to reply to an electronic reminder. This electronic system ensures that DCC keeps accurate records of these responses and that there is appropriate follow-up. New employees must pass an online test on the Code shortly after they are hired. The President reports to the Board on matters related to compliance with the Code as they arise and provides an update to the Board on the annual renewal process. In this way, the Board ensures that DCC maintains its best practices regarding programs and policies related to values, ethics and integrity. In 2013–14, 100% of DCC's employees responded to the annual request for review and all new hires completed the required test.

DCC also takes the integrity of its procurement process seriously. The Corporation complies fully with Government of Canada contracting regulations that ensure a secure, efficient and fair process for procuring and managing DND infrastructure projects. In December 2013, the revised Code was implemented across the Corporation. The President and CEO also provides regular reports to the Board on matters of procurement integrity.

AUDIT

The Office of the Auditor General (OAG) is the auditor for DCC, as stipulated in the *Financial Administration Act* (FAA). The OAG conducts annual audits of the Corporation's financial statements and must carry out a special examination of DCC at least once every 10 years. DCC's last special examination took place in 2008.

Also in accordance with the FAA, DCC maintains an internal audit function and Interis Consulting Inc. currently provides these services to DCC. The Board receives regular reports on internal audits, including details on the implementation and status of recommendations. The Audit Committee section of this report provides further information on committee activities.

SUCCESSION

The Board reviews the succession plan for DCC's executive management to ensure DCC can identify, attract and retain employees with the appropriate skills and knowledge. The Governance and Human Resources Committee also reviews the succession planning requirements for the board positions.

BOARD COMMITTEES

Two committees assist the Board in fulfilling its responsibilities: the Audit Committee, and the Governance and Human Resources Committee. Board members serve on these committees, as required. The following sections contain information on the charter of each committee, as well as on the committees' key activities in 2013–14. These committees manage their agendas by referring to their respective workplans.

AUDIT COMMITTEE

CHAIR: Lori O'Neill.
MEMBERS: Paul Cataford, Shirley McClellan and Marc Ouellet. The Committee met four times in 2013–14.

The key functions of the Audit Committee are to review the financial statements included in DCC's Annual Report and the annual auditor's report, and to advise the Board with respect to them; to oversee all internal audits

of DCC; and to perform other functions assigned to it by the Board, pursuant to the bylaws of the Corporation and under the Audit Committee Charter, such as ensuring that internal controls are in place, and that the appropriate financial accounting principles and policies are followed. The Audit Committee also reports to the Board on the timeliness of DCC's legislative filings, including DCC's annual financial statements filing and quarterly reporting requirements.

The Audit Committee also oversees all audits of DCC, including financial statement compliance and operational audits, as well as all attestation and assurance services.

All Audit Committee members are independent of management, as per FAA requirements. As per the TBS *Guidelines for Audit Committees of Crown Corporations and Other Public Enterprises*, the Chair of this committee is a financial expert who holds a recognized accounting designation, and members are financially literate. The Audit Committee meets regularly *in camera* with committee members only, as well as with representatives from the OAG, DCC's internal auditors, and the Chief Financial Officer (CFO). As a best practice, before each meeting, the Chair of the Committee also conducts separate telephone sessions with a representative of the OAG, the internal auditors, and DCC's CFO.

KEY ACTIVITIES

Internal auditors: The Committee reviewed and approved proposed internal audits, pursuant to the approved audit plan, as well as amendments thereto. The Committee also reviewed the results of all audits conducted during the reporting period, as well as the status of the follow-up activities arising out of recommendations from previous audits.

OAG: The Committee reviewed the OAG's annual audit plan in preparation for DCC's 2013–14 annual audit and reviewed the results of the previous year's annual audit.

Audit Committee Charter: The Committee reviewed its charter to ensure its continued alignment with the related TBS *Guidelines for Audit Committees of Crown Corporations and Other Public Enterprises* and with best practices. It also regularly reviewed and revised its work plan. In 2013–14, the Chair of the Audit Committee, along with a member of the Committee and DCC's Corporate Secretary, participated in a TBS workshop on the newly updated Guidelines.

International Financial Reporting Standards: The Committee continued to oversee DCC's implementation of appropriate new standards.

FAA requirement for quarterly financial reporting and the TBS Standard on Quarterly Financial Reports for Crown Corporations: The Committee continued to receive regular reports on DCC's compliance with this requirement.

GOVERNANCE AND HUMAN RESOURCES COMMITTEE

CHAIR: John Boyd.
MEMBERS: Robert Presser, Marc Ouellet and James Paul (ex officio). The Committee met twice in 2013–14.

The key function of the Governance and Human Resources Committee is to help DCC develop the Corporation's approach to corporate governance. This includes evaluating DCC's practices to ensure they are in line with relevant and current best practices, as well as with relevant TBS guidance. The Committee also oversees the board assessment process, which includes questions related to the functioning of committees as well as to individual board members.

In relation to human resources matters, the Committee ensures that DCC's core human resources policies are sound and that the appropriate related processes are in place within the Corporation. It also oversees the performance management process for the President and CEO, as set out by the Privy Council Office, as well as the annual performance assessments of members of DCC's Executive Team, and reviews and recommends the appointment and reappointment of corporate officers.

The Committee participates in the nomination and appointment process for Order in Council appointments, as appropriate, and ensures that the board competency profile remains relevant and captures the appropriate requirements.

KEY ACTIVITIES

GOVERNANCE

Board and committee membership: The Committee reviewed the Board's succession planning requirements and made recommendations to the Minister regarding potential new members as well as the reappointment options for current members. In 2013–14, two vacancies were filled and three board members who were continuing to serve beyond the end of their terms were reappointed, which resulted in the Board having a full complement of members.

Board assessment: The Committee oversees the assessment of DCC's Board and individual directors. In 2013–14 it was agreed that these assessments need not be done annually and that no board assessment would be conducted for 2013. The key factors in this decision were the fact that the two newly appointed members had not had the opportunity to fully experience the board process and be in a position to assess it thoroughly, and that the issues raised in previous assessments had been dealt with appropriately.

HUMAN RESOURCES

DCC's human resources policies: The Committee was kept abreast of new DCC policies related to human resources, such as the implementation of the new job evaluation system, as well as changes to existing policies, such as the revised performance management program. The Committee paid particular attention to the ramifications of the federal government's fiscal restraint measures on DCC's human resources, including staffing reductions. In addition to fulfilling their responsibilities in relation to DCC's job evaluation system and performance management program, in 2013–14, the Committee reviewed and recommended that the Board approve DCC's succession planning management framework.

Performance management program: The Committee assessed the President and CEO's performance, using PCO's performance agreement and evaluation form, and compensation regime. The Committee also reviewed and recommended to the Board the performance review of DCC's vice-presidents and the reappointment of corporate officers.

NOMINATIONS

Director Profile: The Committee reviewed the Board of Directors Competency Profile to ensure it continued to appropriately reflect the needs of the Board of Directors.

ATTENDANCE

ATTENDANCE AT BOARD OF DIRECTORS MEETINGS AND COMMITTEE MEETINGS

APRIL 1, 2013, TO MARCH 31, 2014

	BOARD	AUDIT COMMITTEE	GOVERNANCE AND HUMAN RESOURCES COMMITTEE
Presser, Robert	4/4	–	2/2
Boyd, John[1]	2/3	–	1/1
Cataford, Paul[2]	4/4	2/2	–
Matthews, Kris[3]	2/2	2/2	–
McClellan, Shirley	4/4	4/4	–
O'Neill, Lori[4]	2/2	2/2	–
Ouellet, Marc	4/4	4/4	2/2
Paul, James	4/4	–	2/2

This chart notes attendance at committee meetings of committee members only and not that of board members who attend committee meetings as observers.

[1] Mr. John Boyd was appointed to the Board as of June 13, 2013, and became Chair of the Governance and Human Resources Committee on November 5, 2013.
[2] Mr. Paul Cataford became a member of the Audit Committee on November 5, 2013.
[3] Ms. Kris Matthews was a member of the Board until October 1, 2013.
[4] Ms. Lori O'Neill was appointed to the Board as of October 1, 2013 in the place of Ms. Matthews, and became Chair of the Audit Committee on November 5, 2013.

COMPENSATION

The Privy Council Office's document, *Remuneration Guidelines for Part-Time Governor in Council Appointees in Crown Corporations*, dated October 2000, sets out the guidance for retainer and per diem amounts for Crown corporation board members. In the Privy Council Office's February 2014 document, *Performance Management Program Guidelines for Chief Executive Officers of Crown Corporations*, DCC is listed in Group 3. The compensation for DCC's board members is set by Order in Council and is found in a blanket Order in Council.

	ANNUAL RETAINER ($)	PER DIEM ($)
Presser, Robert	7,500	300
Boyd, John	3,800	300
Cataford, Paul	3,800	300
Matthews, Kris	3,800	300
McClellan, Shirley	3,800	300
O'Neill, Lori	3,800	300
Ouellet, Marc	3,800	300

BOARD OF DIRECTORS

(l to r) James Paul, Lori O'Neill, Robert Presser, Paul Cataford, Shirley McClellan, Marc Ouellet, John Boyd.

ROBERT PRESSER, Chair of the Board: Mr. Presser has experience in mergers and acquisitions with large Canadian corporations as well as extensive knowledge of corporate governance practices. He is Vice-President of Acme Engineering Products Ltd. in Montréal and serves as chair of the board of Sofame Technologies Inc. Mr. Presser holds a Master of Business Administration from the Richard Ivey School of Business at Western University.

JOHN BOYD: Following a 35-year career in the consulting engineering business, Mr. Boyd moved into providing training and consulting advice in the management of engineering consultancies. He holds a Doctorate in Engineering from Imperial College in London, England, and a Master of Applied Science degree in structural geology from the University of Toronto.

PAUL CATAFORD: Mr. Cataford is President and CEO of Zephyr Sleep Technologies Inc. He serves as a director of a number of public and private companies, and has held several senior management positions in various financial and investment firms.

SHIRLEY MCCLELLAN: Appointed the 12th Chancellor of the University of Lethbridge in March 2011, Ms. McClellan is also the Chair of the Board of Horse Racing Alberta and held numerous senior cabinet positions as a member of the Alberta legislature from 1987 to 2007.

LORI O'NEILL: A chartered accountant who retired from partnership in a global public accounting firm after 24 years of service, Ms. O'Neill serves as board member and audit committee chair for DragonWave Inc. and the Ontario Lottery and Gaming Corp. She is also a board member with the University of Ottawa Heart Institute and the Sprott School of Business at Carleton University.

MARC OUELLET: After retiring from the Royal Canadian Air Force after a 32-year career, during which he held several command appointments, Mr. Ouellet is now an aerospace and security consultant with CIRRUS Research Associates Inc.

JAMES PAUL: Mr. Paul has over 30 years of business experience with a variety of international companies. He has a law degree from the University of Ottawa. Prior to his appointment with DCC, he served as president of a Canadian technology company and as Chair of the Canada Science and Technology Museum Corporation's Board of Trustees.

EXECUTIVE TEAM

(l to r) Randy McGee, Angelo Ottoni, Daniel Benjamin, James Paul, Mélinda Nycholat.

JAMES PAUL, J.D.
President and Chief Executive Officer

Mr. Paul was appointed to the position of President and Chief Executive Officer in September 2009. In May 2014 the Minister of Public Works and Government Services announced Mr. Paul's reappointment for a five-year term beginning on September 8, 2014. His career has spanned over 30 years and includes senior management roles in large Canadian technology firms. Before his appointment to DCC, Mr. Paul served as president of a Canadian technology company, and as Chair of the Canada Science and Technology Museum Corporation. He holds a law degree from the University of Ottawa.

DANIEL BENJAMIN, P.ENG., ING.
Vice-President, Operations–Service Delivery and Corporate Planning

Mr. Benjamin joined DCC in September 2011 after a 35-year career with the Canadian Armed Forces (CAF). He attained the position of Chief Military Engineer for the CAF and Chief of Staff (Infrastructure and Environment). He was involved in the design and construction of infrastructure, and in project, program and facility management of all military facilities in Canada and abroad. Mr. Benjamin retired from the military at the rank of Major-General. He holds a Master of Engineering degree from the Royal Military College.

RANDY MCGEE, P.ENG., GSC
Vice-President, Operations–Business Management

Originally with DCC from 1984 to 1998, Mr. McGee rejoined DCC in 2001 as the Western Area Engineer, after three years in the private sector. He has extensive experience in managing large construction, consultant and design-build projects. Mr. McGee holds a Bachelor of Science in Engineering (Civil) degree from the University of Manitoba and is a Canadian Construction Association Gold Seal Certified project manager.

MÉLINDA NYCHOLAT, P.ENG.
Vice-President, Operations–Procurement

Ms. Nycholat joined DCC in 1988 and has held various positions in both the Western and Atlantic regions. She holds a Bachelor of Civil Engineering degree from l'Université Laval. Ms. Nycholat sits on the Board of Directors of the Canadian Public Procurement Council, is an owner representative on the Canadian Construction Documents Committee and sits on the Steering Committee of the Institute for Business Information Modeling in Canada. She is also a member of the Treasury Board Advisory Committee for Construction Contracts.

ANGELO OTTONI, CPA, CA
Vice-President, Corporate Services, Chief Financial Officer and Treasurer

Mr. Ottoni joined DCC in 2001 after working nine years in the technology industry and 15 years with a major international accounting firm. He earned a Bachelor of Commerce degree from Concordia University, as well as a Public Accountancy diploma from McGill University. Mr. Ottoni received his Chartered Accountant designation in 1978.

SENIOR MANAGEMENT TEAM

(l to r) John Graham, Grant Sayers, David Burley, Ross Welsman, George Theoharopoulos, Stephen Karpyshin.

DAVID BURLEY, GSC
National Service Line Leader, Construction Services

Mr. Burley was promoted to the role of National Service Line Leader for Construction Services in 2012. He joined DCC in 2002 as a Professional Services Coordinator in Kingston and subsequently assumed the position of Operations Manager and Regional Service Line Leader at that site. He is a Civil Engineering Technologist and holds a Canadian Construction Association Gold Seal Certified designation.

JOHN GRAHAM, P.ENG., PMP
Director, Ontario Region

Mr. Graham graduated from Lakehead University in 1988 with a Bachelor of Engineering (Civil) degree. He joined DCC as a Junior Engineer in the Kingston office. In 1998, he attained his designation as a Project Management Professional, and the following year he became the Area Engineer for Ontario Region. Mr. Graham was appointed Director, Ontario Region, in 2009.

STEPHEN KARPYSHIN, P.ENG.
Director, Western Region

Mr. Karpyshin joined DCC in 1988 and has worked on a wide range of projects. A graduate of the University of Manitoba in physics and civil engineering, he is a member of the Association of Professional Engineers and Geoscientists of Manitoba; the Association of Professional Engineers, Geologists, and Geophysicists of Alberta; and the Alberta Federal Council.

GRANT SAYERS, CET
Director, Quebec Region

Mr. Sayers was promoted to the role of Director, Quebec Region, in 2012. He joined DCC in 2003 as a Contract Coordinator at CFB Suffield and later served as Operations Manager in Comox and Regional Service Line Manager for Real Property in Edmonton. He is a Certified Engineering Technologist with a mechanical background.

GEORGE THEOHAROPOULOS, P.ENG.
Director, Atlantic Region

Mr. Theoharopoulos became Director, Atlantic Region, in July 2011. He joined DCC in 2004, following 14 years in the public and private sectors, and has held a variety of positions, including Manager of Environmental Services and Manager of Business Operations in the Atlantic Region. He holds an engineering degree from the Technical University of Nova Scotia.

ROSS WELSMAN
Director, National Capital Region

Mr. Welsman has served 15 years with DCC in all major areas of operation. He has contributed in different capacities starting as Project Engineer at three military bases to Area Engineer responsible for DCC operations in Atlantic Canada. In 2006, he transferred to Ottawa to assume the role of Director, National Capital Region. Mr. Welsman earned a Bachelor of Science and an Engineering (Civil) degree from Memorial University of Newfoundland.

CORPORATE MANAGERS

DCC Corporate Managers (l to r) Marc Stackhouse, Stephanie Ryan, Elaine Warren, Richard Danis, Alison Lawford.

RICHARD M. DANIS, CPA, CA
Corporate Manager, Finance

A graduate of Laurentian University with a Bachelor of Commerce degree and an MBA from the University of Ottawa, Mr. Danis joined DCC in 2009 from the private sector where he held positions in auditing and as director of finance for 10 years. He is a member of the Certified Professional Accountants of Ontario (formerly the Institute of Chartered Accountants of Ontario).

ALISON LAWFORD, LL.B., LL.M.
Corporate Secretary, Corporate Manager, Governance, and Access to Information and Privacy Coordinator

Ms. Lawford joined DCC in 2008 as Corporate Secretary and is also DCC's Access to Information and Privacy Coordinator. She has a law degree and master of laws from the University of Ottawa. Prior to DCC, she was the Compliance Officer at Export Development Canada and practiced law with a national law firm in Canada.

STEPHANIE RYAN, B.A. (HONS), ABC
Corporate Manager, Communications

Following a 12-year private sector career in marketing communications, Ms. Ryan joined DCC in 2002. Prior to DCC, she spent three years with a national magazine publishing firm and nine years with a life sciences business. She holds a Bachelor of Arts (Honours) degree from the University of Ottawa, the designation of Accredited Business Communicator (ABC) and is an accredited TESL Ontario Language Instructor.

MARC STACKHOUSE
Corporate Manager, Information Technology

With experience in the fields of information technology and digital solutions, Mr. Stackhouse joined DCC in 2008 after a 20-year career in the public and private sector. He started with DCC as a business analyst and assumed the role of Corporate Manager, IT in 2009. His combined business and technology background position him well to improve DCC's IT experience.

ELAINE WARREN, CHRP
Corporate Manager, Human Resources

Ms. Warren joined DCC in 1998 following a 14-year career in the infrastructure and service industries. She earned a Business Administration, Human Resources diploma from Algonquin College, and in 2006 obtained her Executive Certificate in Strategic Human Resources Leadership from Sprott School of Business at Carleton University. She holds a CHRP designation from the Canadian Council of Human Resources.

MANAGEMENT'S DISCUSSION AND ANALYSIS

1.0 CORPORATE PROFILE

1.1 PROFILE

Created in 1951, Defence Construction Canada (DCC) is a Crown corporation that provides a wide variety of property-related services to support the defence of Canada. The prime focus and beneficiaries of DCC's services are the Department of National Defence (DND) and Canadian Armed Forces (CAF) operations, both domestic and overseas. DCC is accountable to Parliament through the Minister of Public Works and Government Services.

Over the years, DCC's extensive construction expertise has been instrumental in the construction of projects that have shaped the Canadian economic and military landscape, and fulfilled Canada's international obligations. Examples of such projects include the Distant Early Warning (DEW) Line across the Arctic, the Northern Ontario section of the Trans-Canada Pipeline and the Canadian Embassy in Kabul, Afghanistan.

1.2 MISSION, VISION AND VALUES

Given the changes to DCC's business over the past several years, and with the majority of DCC employees having been employed at DCC for less than five years, DCC reviewed and revised its mission, vision and values statements. The statements, as follows, form part of DCC's brand and were launched and promoted in 2013–14.

MISSION: To provide timely, effective and efficient project delivery and full lifecycle support for infrastructure and environmental assets required for the defence of Canada.

VISION: To be a knowledgeable and innovative leader and employer of choice, valued by the Government of Canada and industry, in the achievement of our mission.

VALUES: DCC's values ensure the Corporation can continue to meet the requirements of DND and the CAF in Canada and abroad. Those values include the following.

DEDICATION: DCC is dedicated to supporting DND's infrastructure and environment requirements. For over 60 years, DCC employees have dependably and diligently carried out that mission.

COLLABORATION: DCC is committed to developing collaborative relationships with its Client-Partners, industry and employees. Together, we leverage our shared expertise toward our common goals.

COMPETENCE: DCC has created a dynamic working environment in which the qualifications, experience and expertise of employees are focused on developing innovative solutions to Client-Partner needs.

FAIRNESS: DCC deals with its Client-Partners, industry and employees in a fair and ethical manner, advocating mutual respect and professionalism in the attainment of the common objectives of all parties.

1.3 DCC'S CLIENT-PARTNERS

Operationally and administratively, DCC deals with many organizations within DND. The Infrastructure and Environment Group of National Defence headquarters is DCC's principal point of contact for the centrally-managed capital construction and environmental programs. As the chiefs of the maritime, land and air staffs are responsible for construction and maintenance programs at their respective facilities, DCC also has significant dealings with their organizations, primarily at the base, wing and station levels. DCC supports CAF operations as requested by the Canadian Joint Operations Command (CJOC).

Other organizations for which DCC also contracts for—and manages—construction and environmental services include Communications Security Establishment Canada (CSEC), a stand-alone agency within the Minister of National Defence portfolio; the Canadian Forces Housing Agency; Defence Research and Development Canada;

and the Canadian Forces Personnel Support Agency. The Corporation has also signed a memorandum of understanding with Shared Services Canada in 2013–14 relating to the construction of IT infrastructure at CFB Borden. Additionally, DCC supports the country's North Atlantic Treaty Organization (NATO) allies with training programs and facilities in Canada.

DCC will respond to requests for support within the scope of its mandate from other organizations within DND.

1.4 CONTRACTORS AND CONSULTANTS

Because DCC works closely with private sector consultants and contractors, it is vital that the Corporation stay abreast of trends and contribute to the construction industry. In addition to maintaining formal exchanges with the Canadian Construction Association and its provincial counterparts, DCC employees interact with contractors on job sites every day. These discussions, along with participation in a number of association committees, help keep DCC informed of industry developments and provide a useful forum through which the Corporation connects with its industry partners. DCC maintains relations with other groups, such as the Association of Consulting Engineering Companies–Canada, Architecture Canada, the Canadian Public Procurement Council and the Canadian Design-Build Institute, as well as industry organizations for a variety of infrastructure services.

As outlined in the governance section, DCC treats the integrity of the procurement process seriously. Accordingly, the Corporation complies fully with Government of Canada contracting regulations that ensure a secure, efficient and fair process for procuring and managing DND infrastructure projects. As a result, DCC's Procurement Code of Conduct (PCC), launched in 2012–13, sets out expectations for contractor conduct to ensure integrity in defence infrastructure contracts. The PCC brings together in one concise document the ethical responsibilities of contractors who offer goods and services to the Corporation. It ensures greater transparency, greater accountability and the highest standards of ethical conduct in DCC's procurement of goods and services.

DCC has also signed a memorandum of understanding with Public Works and Government Services Canada (PWGSC) to carry out integrity verifications on winning bidders. This leverages PWGSC resources and avoids duplication of effort by DCC in creating its own database. It involves searching a database of provincial records and other publicly available data to see whether the firms or any of their officers have been convicted of fraud or related offences. Effective January 20, 2014, DCC has verified 1,558 contracts. DCC does not award contracts to firms that have been convicted of offences listed in the PCC.

2.0 CAPABILITIES TO DELIVER RESULTS

2.1 CORE CHARACTERISTICS

Five characteristics allow DCC to deliver quality service consistently. These have a direct impact on the viability of the Corporation.

FOCUS: DCC has had a single focus on a major client for over 60 years, developing an understanding of the client's needs and preferred approaches. That makes DCC unlike any other organization of its size in either the private or public sector.

SERVICE: Standing between the public and private sectors, DCC knows how both the construction industry and the government work. This knowledge allows DCC to effectively communicate requirements to both the client and external service providers.

DELIVERY: DCC provides immediate and reliable access to technical and administrative expertise and, unlike many providers of similar services, does so on a continuing basis at the worksite.

FLEXIBILITY: DCC manages its staff and administers projects with efficiency and flexibility equal to that of the private sector.

VALUE: DCC has consistently provided cost-effective solutions to DND's technical needs and maintains low overhead costs in providing its services.

2.2 OPERATING STRUCTURE

DCC maintains site offices at all active CAF establishments in Canada and abroad, as required. Its Head Office is located in Ottawa. The Corporation maintains five regional offices (Western, Ontario, National

Capital, Quebec and Atlantic), as well as 41 site offices located at CAF bases, wings and area support units. In addition, DCC maintains remote offices in the Arctic, as required for monitoring of the DEW Line Clean-Up and other remediation and infrastructure projects.

3.0 STRATEGIC INITIATIVES

DCC's Corporate Plan is structured into five planning themes—business management, service delivery, people, strategic management and leadership, and corporate governance and stakeholder relationships—that inform the organization's strategic initiatives.

The following is a summary of DCC's progress in 2013–14 on initiatives under these themes.

THEME: BUSINESS MANAGEMENT

OBJECTIVE: **To develop and maintain responsive, sustainable business management structures, tools, teams and practices.**

INITIATIVE: **DCC will enhance its business management and performance measurement reporting.**

Over the past several years, DCC's service lines have matured. Development of the service line integration matrix (SLIM) has supported that maturation. The SLIM outlines the accountability structure for all project tasks at DCC, by service activity and by program type. Since it precisely defines who does what within the scope of a project, the SLIM structure forms the basis for an improved business management reporting system.

At the beginning of 2013–14, DCC changed its employee time-entry coding system and captured data to reflect precise service activity in the SLIM structure. As a result, more detailed reports can now be produced for 2014–15, based on a time-driven, activity-based costing model, within a DND program-type setting. As such, the Operations Group has worked on standardizing its operational reporting and aligning it with DND infrastructure- and environment-related programs, such as construction, maintenance and environment.

Following a consultation with regional operations managers to define standard reporting requirements, 11 standard reports are required to report on the Corporation's core business activities and to monitor operations performance. Use of these centrally standardized and validated reports is to begin in the first quarter of 2014–15 and, as a result, improved consistency of reporting across the Corporation is expected.

INITIATIVE: **DCC will capitalize on the new functionality of its enterprise resource planning (ERP) solution upgrade.**

Developing and enhancing DCC's ERP system is a multi-year initiative. The planned ERP upgrades will help DCC manage its business and its people more efficiently. DCC reached several milestones in 2013–14, which included revising the time-entry module, based on the coding system used in the SLIM; installing the asset management module for purchases of DCC goods and services; automating the workflow of DCC's internal procurement process; and enhancing the expense management module.

The launch of a new performance management program (PMP) for employee appraisals allowed the Human Resources Team to administer employee performance reviews online and gave employees an opportunity to provide their input. Full implementation during the 2013 appraisal cycle was a resounding success and received excellent feedback from DCC employees.

Development and testing work on the recruitment, leave management and training modules will continue into the first half of 2014–15. As each of these upgrades come into use, they will enhance DCC's efficiency throughout the 2014–15 to 2018–19 planning period.

INITIATIVE: **DCC will continue to optimize its business practices.**

DCC has been working for several years to optimize its business practices so that it may continue to deliver value to its Client-Partners and the Government of Canada.

The development of a robust business management reporting capability, based on the SLIM and the introduction of a more robust Corporate Performance Management Framework (CPMF), allows for precise monitoring of operational activities. In particular, the new

CPMF and its associated performance indicators give DCC the ability to collect, analyze and review the data to pinpoint efficiencies in its business processes.

DCC also made progress on reorganizing the Joint Program Management Office in Ottawa. In April 2013, it began increasing the centralized coordination of joint DCC/DND needs to enhance communication through joint information management; to increase opportunities to build new relationships and develop new capabilities; and to improve access to issue resolution processes. A lessons-learned capability is still in development, in conjunction with the Corporation's DND counterparts in the Joint Program Management Office.

Additionally, regional operations managers reworked and simplified the Client-Partner service level arrangement process, form and handbook; streamlined or eliminated inefficient forms; and developed a risk-based verification system, which is an improved audit process.

On the non-operations side of the business, Corporate Services has controlled its expenditures and is supporting the government's Deficit Reduction Action Plan by replacing travel with teleconferencing to reduce costs; creating a sick leave management policy similar to those in the private sector; reducing consulting fees; and reducing staff in IT, administration and human resources.

THEME: SERVICE DELIVERY

OBJECTIVE: **To meet Client-Partner requirements and to achieve value for money.**

INITIATIVE: **DCC will continue to optimize service line processes and practices.**

Optimization work continued on all service lines, with a focus on DCC's two largest service lines, Contract Services and Construction Services.

The leadership team in Contract Services abbreviated processes for administering procurements involving standing offers; simplified the quick response tender process; streamlined the process for responding to bidder questions; and introduced a risk-based pre-tender risk review process to replace the extensive bidability and buildability review process. Regional and national service line leaders monitored the application of these improvements and conducted a verification review during the annual operations audit at the end of the fiscal year.

Leaders in Contract Services and Construction Services collaborated to develop and implement an efficient process for negotiating high-value professional services contracts for directed contracts or for call-ups against source lists and standing offers. A high-value contract is worth at least $200,000. This change supports the direct involvement of experienced senior staff in managing these negotiations; clarifies roles and responsibilities; and streamlines communication with the contracting authority for approvals.

Additionally, DCC drafted guidelines for negotiating and managing consultants' services during construction phases. This work will ensure that the combined cost of consultant and DCC services during construction phases remains in line with industry benchmarks.

The result of these optimization efforts in the Contract Services service line is a lower cost per procurement for DCC's Client-Partner, even though the number of procurements has decreased since 2012–13. In 2012–13, DCC awarded 2,102 contracts on behalf of its Client-Partners. In 2013–14, that number fell to 1,663. The cost per procurement in 2012–13 was 1.4% of the total award amount, compared to 1.3% in 2013–14.

DCC has been optimizing its processes over the past several years, in support of the Government of Canada's goal to reduce the cost of government. Effectiveness and efficiency remain top of mind for DCC in its operations.

INITIATIVE: **DCC will continue to seek opportunities to help manage the DND/CAF infrastructure and environment portfolios.**

The Corporation's extensive corporate experience, gained over the past 63 years, has prepared DCC to help DND/CAF manage its infrastructure and environment (IE) portfolio. Each year, DCC supports its Client-Partner's mission in a variety of ways.

During 2013–14, DCC supported DND's IE Transformation, which aimed to fully centralize the

management of the DND IE portfolio by July 2016. This IE renewal began in 2012–13, when a new business model was approved. Before, nine custodians were accountable for managing DND's real property. This new business model, which moves DND to a centralized model with a single portfolio manager and four custodians, was completed three months ahead of schedule by April 1, 2014. The transformation will continue until there is a single custodian, by spring 2016.

DCC has developed new procurement and technical documents and processes to help DND maintain its facilities. The Corporation can now provide third-party facility management on a large scale, as DND/CAF requires it. Additionally, DCC helped draft the National Real Property Procurement Strategy.

In 2013–14, DND created a new role, DND Director IE Procurement Strategies, to support its procurement efforts. DCC continues to work closely with this director to identify ways to optimize procurements through more strategic and consistent approaches, and to explore opportunities for regionalization and bundling of services.

DCC also worked with DND to develop documents related to business information modeling (BIM). Together, they started a trial project with the Centre d'essais techniques in Montréal. DCC is also working with DND to identify other trial projects to further explore the benefits and impact of BIM in project delivery and management of real property.

INITIATIVE: **DCC will participate in industry innovation initiatives.**

DCC has enjoyed a very positive relationship with industry over the past 63 years and works with many industry associations to keep up-to-date with trends. For example, in 2013–14, DCC was involved with industry initiatives related to such fields as procurement, BIM, integrated project delivery (IPD), e-procurement and construction.

DND is exploring BIM, a digital application used to create a physical representation of a building throughout its lifecycle, along with its functional characteristics during the planning and design stages. With DND, DCC is assessing whether BIM would be useful for project implementation and the maintenance of facilities. DCC continued to work with the Institute for BIM in Canada to develop standards and contract language to support the use of BIM in construction projects. The Corporation issued a test procurement that included elements of BIM in the evaluation criteria and the contract.

Another current trend is IPD, a method that brings all participants together in the early stages of a project to make timely, informed decisions. IPD is a contractual arrangement that aligns goals and objectives, provides more cost certainty and better value, eliminates project duplication, and improves timeliness of delivery. In 2013–14, DCC was asked to join a task force to develop an IPD contract model for Canadian industry.

Through its involvement with several industry partners, DCC will keep up with advancements in the area of e-procurement—an opportunity to increase efficiency in contracting. In 2013–14, DCC reviewed and analyzed options for meeting its e-procurement needs. Following the review, DCC decided that a third-party e-procurement solution would provide the best results. Contract Services is currently defining the requirements and will move forward on procuring and rolling out the e-procurement solution in 2014–15.

In addition, DCC is a founding member of Canadian Construction Innovations (CCI), a new institute focusing on industry-driven research and innovation to solve industry problems. DCC will work with CCI to promote innovation in the construction industry.

INITIATIVE: **DCC will develop a lessons-learned framework.**

To increase effectiveness and efficiencies, DCC's service line and operations teams want to develop a framework to share lessons learned, improve service delivery, communicate success and promote a continuous learning culture. Together, they will develop a process to gather, document and analyze feedback on events during a project. The goal is to recognize, document and share lessons so that future projects will be more successful. The Site Manager for Major Programs in the National Capital Region is coordinating this initiative.

DCC began by consulting regions and sites to capture issues at those levels. The project team is seeking the best method to disseminate the lessons learned across the country. In 2013–14, DCC developed a structured framework to capture and analyze issues, built on existing quality systems, and a process to capture, analyze and act on lessons observed.

A lesson learned will normally result in changes to processes, organizational structures, training, leadership development, staffing and/or informatics. These adjustments will be coordinated centrally, but championed by the executive and executed primarily through DCC's service lines. In 2013–14, DCC focused its lessons learned on the modified design-build and contract approaches. To succeed, this process must be collaborative, linked to existing regional and site issue management and quality management systems, and carried out with DCC's Client-Partners.

THEME: PEOPLE

OBJECTIVE: **To recruit, develop, support and retain a skilled, professional and motivated workforce.**

INITIATIVE: **DCC will continue to promote a culture of innovation and to improve the Ideas at Work program.**

The key to the success of this multi-year initiative is to maintain momentum in order to influence DCC's culture. Building on work from previous years, DCC developed a project plan and a communications plan to encourage employees at all levels to act on and share their ideas for improvement. In 2013–14, the Ideas at Work National Team implemented the plans while undertaking some new activities, which included developing regional newsletters that showcase local innovation efforts and launching a new national electronic newsletter to promote ideas at DCC. In the third quarter, a user survey showed an increase of understanding of the Ideas at Work initiative.

A framework was also developed for a new centralized tracking and notification system that will more accurately track ideas at both the regional and national levels. DCC expects to create and launch the system in 2014–15. Additional tools to promote innovation at DCC were also created, including a new guide to help employees understand how to move their ideas forward and a new regional InnoviCulture Award to recognize employees who have played a key role in developing innovation at DCC.

INITIATIVE: **DCC will foster a principles-based decision-making culture.**

DCC is working to empower its employees to conduct business in the most efficient manner possible, within the guidelines of Government of Canada policy and in concert with industry best practices. A main driver of this cultural change has been the service line integration matrix (SLIM), which has enabled greater integration and collaboration among service lines.

Furthermore, the official *Principles-Based Operations Manual*—a key reference guide for employees in their day-to-day business—was launched in the third quarter via a new web portal. This new manual includes modules on business management, contract management, construction technical services, and project and program management services, as well as several key modules related to other service lines.

DCC implemented the online system for competency-based performance management and completed the first full cycle in 2013–14. As a direct result, DCC improved its delegated signing authorities (DSAs). Transforming DCC's culture will be a focus as the Corporation verifies the implementation of this initiative and will remain in its corporate strategy throughout 2014–15 and years to come as it takes time and sustained effort to change a culture.

INITIATIVE: **DCC will introduce social media as an instrument for increasing employee engagement.**

In 2013–14, DCC applied the social media strategy it developed in 2012–13. The tactical component of this strategy included the initial brand development of DCC social media channels and the creation of an editorial calendar to guide the publication of monthly content. To help bring DCC employees on board with social media, the Communications Group provided learning material and coaching opportunities on the use of different social media platforms.

DCC officially launched its social media channels to employees in September 2013. This initiative has two goals. One is to raise awareness with DCC's external

stakeholders, and the other is to increase internal employee engagement. Between September 2013 and March 2014, the Communications Group tracked and measured activity related to output, readership and engagement, according to the targets in its strategy. "Output" refers to the volume of content published by DCC, such as tweets, retweets and posts. "Readership" refers to the audience reach achieved by Facebook postings. "Engagement" refers to the volume of interactions with others on social media, including retweets, shares, likes and mentions of DCC.

Results for this seven-month period show that DCC has achieved 81% of its goal in terms of volume of content published. The readership goal has been surpassed by 50%, and progress on the engagement goal sits at 62%. The number of DCC's followers on social media is growing steadily and it includes a mix of employees, retirees, military organizations, government stakeholders, industry partners and job seekers. The employees who are engaging on DCC's channels are spread out across the country.

In the coming year, DCC will revise its social media strategy based on this trial period and continue to use it as a tool for internal and external stakeholder engagement.

INITIATIVE: **DCC will launch its revised mission, vision and values statements.**

Given the changes to DCC's business over the past several years, and the fact that most of the Corporation's employees have worked at DCC for less than five years, DCC reviewed and revised its mission, vision and values statements. These statements are part of DCC's brand, both internally and externally.

In 2013–14, the Executive Management Group launched and promoted the revised statements through a series of activities, including town hall meetings, memos, newsletter articles and employee intranet banners. The town hall meetings allowed employees to communicate face to face with senior executives and to ask questions about DCC's strategic direction. Additionally, the Communications Group updated all corporate materials containing these statements.

Reinforcing the mission, vision and values will continue to be a key element of DCC's corporate messaging throughout the 2014–15 to 2018–19 planning period.

THEME: STRATEGIC MANAGEMENT AND LEADERSHIP

OBJECTIVE: **To provide strong, ethical, efficient and effective strategic management and leadership for the Corporation.**

INITIATIVE: **DCC will implement recommendations arising out of the internal audit of performance management.**

This initiative resulted from recommendations made following an internal performance management audit conducted in 2012–13 by DCC's internal auditor, Interis Consulting Inc. The audit reported that although DCC has a solid foundation for performance management, and sufficient systems and processes in place with strong internal monitoring, there was room for improvement.

The recommendations ranged from improving the way performance management documentation is stored to developing more robust criteria for performance indicators that clearly indicate how the Corporation is meeting its stated objectives. During 2013–14, DCC responded to this audit by developing the Corporate Performance Management (CPM) Framework. The framework addresses appropriate performance measures to ensure that DCC effectively manages corporate resources to achieve planned results; that the systems, procedures and processes it uses to collect, analyze and report performance measurement data are adequate and functioning as intended; and that senior management receives timely information to monitor actual performance against planned results.

As part of the development process for this CPM Framework, DCC assessed the relevance of all key performance indicators and drafted a set of indicators, targets and measures. The Executive Team finalized and endorsed the framework in the latter part of 2013–14. DCC will implement the framework, and applicable indicators and measures, in 2014–15.

INITIATIVE: **DCC will implement recommendations arising out of the internal audit of delegation of authority.**

This initiative resulted from recommendations made following an internal audit of delegation of authority conducted in 2012–13 by DCC's internal auditor, Interis Consulting Inc. Through the delegation of authority, employees are empowered to assume responsibility and accountability for their processes, including those under sections 33 and 34 of the *Financial Administration Act*.

In 2012–13, DCC implemented an updated suite of delegated signing authority (DSA) instruments, including a policy, philosophy and comprehensive authority matrix that encompasses all types of authorities (e.g., finance and human resources). The new authorities are based on the principle of empowering employees and making them more accountable, rather than managing by checklists. This is all part of DCC's initiative to foster a principles-based decision-making culture.

The audit found that DCC has a strong foundation for delegating signing authority and that the Corporation monitors compliance. Recommendations include adding DSAs to DCC's Code of Business Conduct; updating each employee's DSA annually and including a reminder of the risk associated with DSA; including an employee's DSA status in the annual performance review; and linking the required DSA training to the human resources information system (HRIS) database. Work on all of these recommendations has been completed.

INITIATIVE: **DCC will develop a more effective and efficient training registry.**

As DCC's five service lines matured, each adapted its own training and development structure, which resulted in inconsistencies in standards for training and development. The goal of this initiative is to develop an enhanced, common training registry to accurately capture acquired training, while aligning training requirements with DSA levels and with the new performance management competencies. The Operations Group, the Human Resources Team and the IT Team are collaborating to integrate the training registry into the HRIS.

During 2013–14, a training registry was drafted in consultation with national service line leaders, regional operations managers and the Human Resources Team, and a business case was developed for tracking acquired training in DCC's time-entry system. The Operations Coordination Team also finalized the business requirements with the IT Team. Work will continue in the first quarter of 2014–15 to define criteria to complete the cross-functional training matrix and begin implementing the new training registry.

INITIATIVE: **DCC will develop a corporate social responsibility framework.**

Corporate social responsibility (CSR) refers to an organization's commitment to operating in a socially, economically and environmentally responsible manner. DCC already carries out many activities that fall under the CSR umbrella. The intent of this initiative is to consolidate this good work into a cohesive framework, similar to those that comparable organizations have established. The framework will help employees at the regional and site levels decide whether to undertake a proposed CSR activity—for instance, when someone from the community asks DCC to participate in a charity event.

In 2013–14, the Senior Management Group reviewed and approved a proposed CSR framework, which was based on guidelines from Canadian Business for Social Responsibility (CBSR). This framework will be applied and tracked in 2014–15. Throughout the year, DCC will track its CSR activities and measure the effectiveness of this framework, and adjust them if required.

THEME: CORPORATE GOVERNANCE AND STAKEHOLDER RELATIONSHIPS

OBJECTIVE: **To be recognized as competent and responsive to government priorities, policies and practices.**

INITIATIVE: **DCC will continue to demonstrate fiscal restraint measures.**

DCC continues to adhere to the spirit and intent of the Government of Canada's Strategic and Operating Review (SOR). This initiative involved federal organizations that receive appropriations. It focused on achieving savings

in operating expenditures, improving productivity, and examining the efficiency and effectiveness of programs. Although DCC is a Crown corporation that does not receive appropriations, it participated in the SOR and found ways to provide services to DND/CAF more efficiently and cost effectively. This initiative, now known as the Deficit Reduction Action Plan (DRAP), is intended to generate cost savings over three fiscal years: 2012–13, 2013–14 and 2014–15. In the 2013 *Speech from the Throne*, and the *November 2013 Update of Economic and Fiscal Projections* by the Minister of Finance, the Government of Canada extended this commitment to fiscal restraint by freezing the overall federal operating budget for an additional year until fiscal 2015–16.

DCC responded with a proposal to reduce the cost of DCC contract management services to DND/CAF, as well as to freeze billing rates for the requested time of constraint. In addition, the Corporation in its DRAP submission proposed to freeze billing rates for the DRAP period. The Corporation identified and discussed potential savings in the areas of corporate services, corporate-wide initiatives, and salaries and benefits. The Corporation surpassed the savings outlined in its DRAP submission for 2013–14. It achieved savings of $19.2 million in the first two years of DRAP as outlined in section 6.8 (page 58).

INITIATIVE: **DCC will continue to support DND in its implementation of its fiscal restraint measures.**

All government departments have been called upon to contain costs and reduce the cost of government. DND is managing the impact of Transformation 2011, the SOR and the DRAP. In some cases, DND has reduced program spending across sites and regions. Since DCC responds and adapts to DND demands, the Corporation experienced approximately100 job losses in 2013–14 year, due to ongoing workforce adjustments in response to the fluctuation in the DND/CAF program.

Aside from those direct reductions, DCC has taken other measures to help DND reduce its costs, mostly by optimizing service delivery. One example of this is the Canadian Forces Housing Agency pilot project at Garrison Petawawa, where maintenance service contracts will be bundled to improve efficiency and client service. Additionally, as DCC optimizes its service delivery, DND will benefit from reduced costs for DCC's services. In 2014–15, DCC stands ready to help its Client-Partners manage changes, whether they relate to consolidating operations centres, finding cost efficiencies, developing more efficient procurement practices or realigning technical expertise.

INITIATIVE: **DCC will raise awareness of its value and capabilities among its Client-Partners, industry partners, employees and government stakeholders.**

DCC's Executive Management Group led this multi-component initiative by developing a more formal approach to promoting DCC's value and by focusing on relationship building. The Corporation collected all relevant information, such as DCC's cost of services, needed to demonstrate how DCC creates value. DCC carried out communications activities aimed at its Client-Partners, industry partners and Government of Canada stakeholders, designed to eliminate surprises for all parties. In face-to-face meetings with employees, Executive Team members discussed DCC's updated mission, vision and values statements. Maintaining awareness of DCC's capabilities among its stakeholders remains a priority for the Corporation in the coming fiscal year.

4.0 STRATEGIC AND OPERATIONAL PERFORMANCE INDICATORS

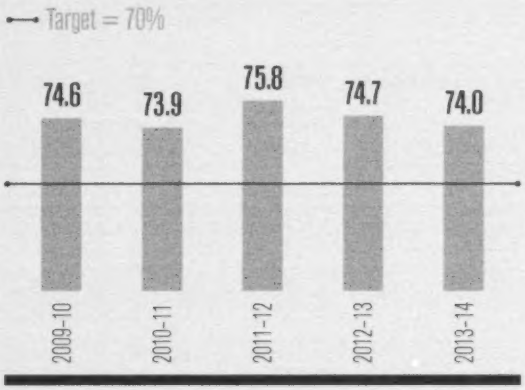
4.1 BUSINESS MANAGEMENT

UTILIZATION RATE

The utilization rate indicates the hours spent directly on service delivery functions that are billable to the client, as opposed to hours spent on administrative functions that are considered overhead support and on compensated leave. It is an important performance indicator for efficiency and effectiveness, and a key financial management tool. DCC's target utilization rate is 70%. In 2013–14, the Corporation achieved a utilization rate of 74.0%, a decrease of under 1 percentage point from last year's rate of 74.7% but well above the targeted rate.

UTILIZATION RATE

PERCENTAGE OF EMPLOYEE HOURS SPENT ON BILLABLE CONTRACT WORK



DIRECT PERSONNEL EXPENSE MULTIPLIER

The direct personnel expense multiplier (DPEM) is the factor by which DCC multiplies direct project personnel expenses to recover overhead costs. These project personnel expenses include salary costs, payroll benefits and compensated absences, such as vacation, sick days, statutory holidays and professional development time. The target range for this indicator is between 1.40 and 1.50. In 2013–14, the DPEM was 1.33, compared with the previous fiscal year's DPEM of 1.37. The Corporation has been able to reduce the DPEM year over year by freezing rates to constrain revenue, while still generating sufficient funds to meet its operating needs.

4.2 SERVICE DELIVERY

SERVICE DELIVERY RATING

Completing each project or task to the satisfaction of the Corporation's Client-Partners is critical to the success of DCC operations. To this end, the Corporation tracks client satisfaction through a service delivery rating system as one of its key performance indicators. DCC interviews Client-Partner representatives individually each year. Each representative can comment on the service DCC provided on all projects in which he or she was involved.

In 2013–14, DCC conducted 336 service delivery interviews. Rating scores are weighted according to the value of each service level arrangement. Service delivery ratings are based on a scale of one to five. A score of three means DCC met expectations, and a score of four or five means DCC surpassed expectations. In 2013–14, DCC exceeded its target, with 98% of clients indicating DCC met or exceeded their expectations.

DCC will continue to look for opportunities to further increase the efficiency of the service delivery rating process.

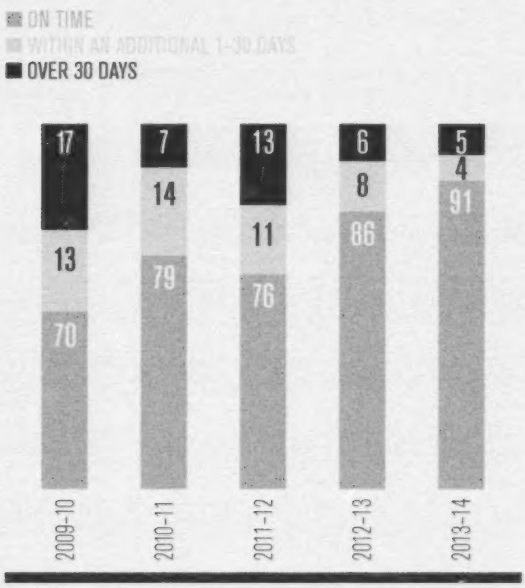
SERVICE DELIVERY RATING

TIMELINESS OF CONSTRUCTION CONTRACT COMPLETION

Timely completion of projects is a key component of client satisfaction. DCC monitors the timeliness of construction contract completion, and works with clients and contractors to minimize schedule slippage. When slippage does occur, DCC ensures that DND knows the reasons, and the Corporation takes all necessary action to ensure that the project is completed as quickly as possible, to minimize the impact on DND. In 2013–14, 91% of construction contracts were finished on time, another 4% were completed within 30 days of the expected completion date and 5% were completed thereafter.

TIMELINESS OF CONSTRUCTION CONTRACT COMPLETION

PERCENTAGE OF JOBS COMPLETED

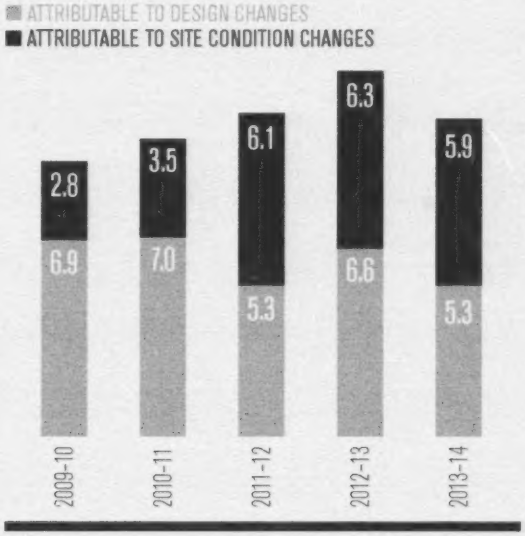


CONSTRUCTION CHANGE ORDER VALUES

The change in total award value for 2013–14 was 11.2%, a decrease from the 2012–13 figure of 12.9% and the 2011–12 figure of 11.4%. Of the 11.2% change in total award value, 5.3 percentage points related to design changes and 5.9 percentage points related to site condition changes. Although DCC does not set formal targets for this indicator, it tracks this information to inform the client on project and budget status. Additionally, this information helps both DCC and the client monitor the impact on scheduling risks associated with construction.

CHANGE ORDER VALUES

PERCENTAGE OF TOTAL AWARD VALUE



DCC INVOLVEMENT IN INDUSTRY ACTIVITIES

This indicator tracks DCC's involvement in all major industry associations, such as the Canadian Construction Association, the Association of Consulting Engineering Companies and Architecture Canada. The goal is to have a DCC representative involved in each relevant association and to act on industry feedback to ensure DCC policies and practices meet industry needs. Across Canada, DCC employees are involved at all levels of professional organizations related to their areas of expertise, from construction and architecture to project management, sustainable energy and fire safety. At the national level, DCC executives are active on national committees and professional organizations involved with construction, architecture, real property, consulting engineering, procurement and building information modeling, to name a few areas. This involvement helps keep DCC informed of new trends and developments in industry practices; provides opportunities for DCC to be an industry leader; and strengthens DCC's collaborative relationships with key industry organizations.

CONTRACTOR PERFORMANCE EVALUATION REPORT

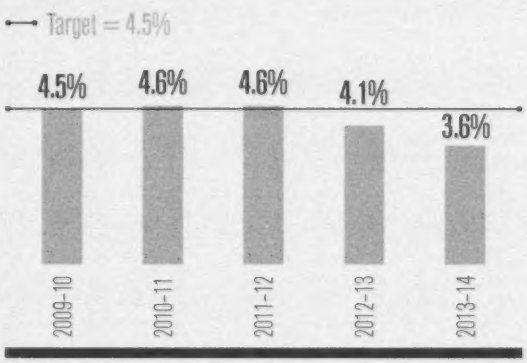
DCC values continuous improvement. This indicator tracks DCC's commitment to provide feedback to industry regarding contractor performance. The goal is to evaluate all contractors that have completed their contracts with DCC. During 2013–14, DCC evaluated 98.2% of its contractors.

4.3 PEOPLE

INVESTMENT IN TRAINING AND DEVELOPMENT

DCC's ability to serve DND is heavily dependent on the skills of its employees, and maintaining a skilled and professional workforce is a key corporate objective. Therefore, employee training and development continues to be a high corporate priority and a key area of investment. DCC's performance indicator for training and development is based on the total annual investment in professional development, defined as the combination of direct expenditures and the cost of staff time spent on training and development activities, expressed as a percentage of total salary cost. In 2013–14, DCC established an overall corporate target for spending on training and development of 4.5% of salary costs, similar to the 2012–13 target. This target has decreased by 0.5 percentage points for the past two years from the prior target of 5.0% as part of DCC's DRAP commitment. In 2013–14, the actual percentage declined below the target to 3.6% from the 2012–13 result of 4.1%. The decline was due mainly to lower expenditures on national initiatives and lower training and development activities per employee full-time equivalent.

PROFESSIONAL DEVELOPMENT TO SALARY COST RATIO



EMPLOYEE WELLNESS

As an employer, DCC's value is in its people. The organization is strongly committed to creating a workplace environment that encourages its employees to incorporate wellness into their daily routine and promotes work-life balance. DCC is focused on preventive measures and interventions that reduce employees' health risk factors. DCC demonstrates this commitment by providing financial assistance, and access to benefits and resources, such as lifestyle modification programs, fitness memberships and recreational programs, an employee assistance program, flexible working arrangements, and compressed workweeks.

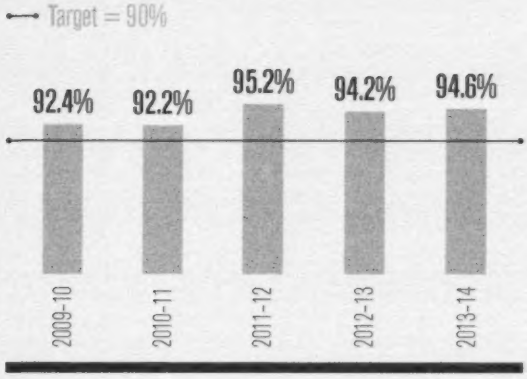
In 2013–14, DCC introduced the Absence Support Program (ASP). The ASP is an important component of our overall employee wellness initiative, as it provides additional support for employees who have experienced an illness or injury by assisting with their recovery, and a safe and healthy return to work. Having employees who are healthy, on the job every day and able to fulfill their duties is important to overall employee wellness and the success of DCC.

During the year, DCC reported an average of 42 sick leave hours per full-time equivalent (FTE)—well below the national average. Statistics Canada reported an average of 58.5 sick leave hours per FTE for both the private and public sectors in Canada in 2011.

EMPLOYEE RETENTION RATE

DCC's success depends on its ability to maintain a skilled, professional and motivated workforce to meet business requirements. To that end, it is critical to recruit and retain the types of employees needed to guarantee a high level of client service. It is normal for DCC to experience some staff turnover, due to the seasonal and geographically cyclical nature of its work. In 2013–14, DCC again exceeded its retention rate target of 90% by reaching 94.6%. DCC has surpassed its target each year over the past five years—in 2012–13, 2011–12, 2010–11 and 2009–10, it surpassed the target by attaining 94.2%, 95.2%, 92.2% and 92.4%, respectively.

RETENTION RATE



EMPLOYMENT EQUITY

DCC is committed to maintaining its performance with respect to the government's employment equity objectives. In the Employment and Social Development Canada *Employment Equity Act 2013 Annual Report*, "A" indicates superior performance on all six indicators; "B" indicates good performance, but with persistent problems; "C" indicates average to less-than-average performance; and "D" indicates poor performance. In 2012, Human Resources and Skills Development Canada revised DCC's sector in the North American Industry Classification System from construction to professional, scientific and technical services. In this new sector, DCC's rating results for persons with disabilities changed from "A" to "C". Its ratings were unchanged in the other categories. DCC continues to carry out an employment equity awareness campaign to promote employment opportunities and achieve equal opportunity for all workers.

EMPLOYMENT EQUITY RATING RESULTS

CATEGORY	2013	2012	2011	2010	2009
Women	A	A	A	B	A
Aboriginal people	A	A	A	A	A
Persons with disabilities	C	A	A	A	A
Visible minorities	C	C	B	C	B

Source: ***Employment Equity Act 2013 Annual Report*** (Ottawa: Employment and Social Development Canada, 2013). This report uses data as at December 31, 2013.

4.4 STRATEGIC MANAGEMENT AND LEADERSHIP

TIMELINESS OF SUBMISSION REPORTING

DCC is accountable to both the federal government and Parliament through Part X of the *Financial Administration Act* (FAA), which outlines the control and accountability framework for Crown corporations. Accordingly, it is DCC's responsibility to submit its Corporate Plan, including its operating budget and capital budget, and Annual Report, as regulations dictate. DCC submitted its 2014–15 Corporate Plan to the Minister of Public Works and Government Services on time, as per sections 122 and 125 of the FAA.

In addition to the FAA, other key pieces of legislation to which DCC is subject include the *Public Servants Disclosure Protection Act, Access to Information Act, Privacy Act, Employment Equity Act, Official Languages Act* and *Canadian Multiculturalism Act*. In 2013–14, DCC complied with all reporting requirements under each of these Acts.

ACHIEVEMENT OF CORPORATE INITIATIVES

DCC has established five planning themes with corresponding strategic objectives against which the performance of the Corporation and its services are measured.

1. **Business management:** To develop and maintain responsive, sustainable business management structures, tools, teams and practices.
2. **Service delivery:** To meet Client-Partner requirements and to achieve value for money.
3. **People:** To recruit, develop, support and retain a skilled, professional and motivated workforce.
4. **Strategic management and leadership:** To provide strong, ethical, efficient and effective strategic management and leadership for the Corporation.
5. **Corporate governance and stakeholder relationships:** To be recognized as competent and responsive to government priorities, policies and practices.

Eighteen strategic outcomes, aligned with DCC's business needs, defined the intent of these strategic objectives for the 2013–14 planning period. DCC identified 18 corporate initiatives to help direct DCC's efforts during the year and to contribute to the sustained viability of the Corporation. All initiatives were monitored closely and section 3.0 of this report provided details of their progress. DCC can continue to fulfill its mission due to the work completed annually on these strategic corporate initiatives.

DCC CODE OF BUSINESS CONDUCT RESULTS

As mentioned previously in the governance section of this report (page 26), DCC's Code of Business Conduct (the Code) outlines expectations for standards of conduct for all DCC employees. The Code covers ethical practices, and compliance with legislation and DCC policies. In 2013–14, 100% of DCC employees responded to the annual request for review and all new hires completed the required test.

DCC PROCUREMENT CODE OF CONDUCT RESULTS

The Procurement Code of Conduct (PCC) ensures that DCC's industry partners meet the expected integrity requirements for doing business with the Government of Canada. The PCC complements the Code of Business Conduct. DCC aims to verify all firms before awarding contracts, to ensure that all contracts are awarded to firms without prior convictions, and to ensure that all contractors and consultants comply with the PCC. As at the end of fiscal 2013–14, DCC checked 100% of all firms, as per its procurement process, and based on random file audits. It also met its goal to not award contracts to non-compliant firms.

SUCCESSFUL CONTRACTS

DCC recognizes the time and effort that the industry expends to prepare and submit tenders. Consequently, to reduce the risk of a failed tender, DCC screens all projects over $1 million for significant problems that could potentially jeopardize the tender. At year end, 94.4% of DCC tender calls had resulted in the award of a contract. This figure was lower than the previous year's rate of 96.2% and the 2011–12 result of 95.1%. The increase in the number of cancelled tenders is due mostly to DND budget reductions.

LEGAL CLAIMS

The Corporation's efforts to resolve contract disputes are reflected in the number and value of contract claims before the courts. As at March 31, 2014, there were eight ongoing claims totalling $7.7 million. These figures compare with 15 ongoing claims with a total value of $10.2 million as at March 31, 2013.

In accordance with the memorandum of understanding between the Corporation and DND, DND accepts the legal and financial risks associated with claims resulting from third-party contracts put in place by the Corporation. Thus, the financial risk associated with settling these contractual claims does not have any financial impact on the Corporation. As a result, the Corporation does not consider it necessary to record any provision in its financial statements relating to legal claims.

4.5 CORPORATE GOVERNANCE AND STAKEHOLDER RELATIONSHIPS

ENVIRONMENTAL RESPONSIBILITIES

To mitigate DCC's impact on the environment, DCC's Board of Directors and Senior Management Group are committed to the principles of sound environmental stewardship. The Corporation's operational policies and procedures are designed to minimize environmental impacts on all worksites and to specify the significance of environmental incidents that employees must report.

Eight environmental incidents arising from contractor activities were reported in 2013–14. No environmental incidents occurred as a result of DCC activities. DCC employees reported all eight incidents in a timely and appropriate manner. Nine such reportable environmental incidents occurred in 2012–13, four in 2011–12 and three in 2010–11. DCC continues to implement environmental incident reporting criteria that meet government regulations and are harmonized with DND's criteria for spill reporting.

MAINTAINING A SAFE WORK ENVIRONMENT

Occupational health and safety are primary concerns, both in the workplace and on job sites. The Corporation has developed and maintains a strong, agile and effective health and safety program to ensure proper training and reporting, and to provide accessible information and resources to employees. A team of certified professionals and health and safety representatives in DCC offices nationwide manages and supports this program.

DCC's 2013–14 program verification included a review of common practices, policies, education and training. The result was a Corporate Action Plan that contains historical and regional data, including results and corrective actions in each region and at each site nationwide. This plan provides quick access to program performance data and trends, and ensures the sharing of best practices and lessons learned. During the year, DCC began changing the way it delivers health and

safety training by identifying progressive and innovative e-learning providers to deliver comprehensive and homogenous training to employees nationwide in a fiscally responsible manner.

The number of lost-time injuries increased from three in 2012–13 to seven in 2013–14. These seven incidents involved minor injuries and accounted for a total of seven days of lost time, a decrease of 12 days from the time lost in the previous year.

SECURITY RESULTS

Over the past several years, DCC has strived to ensure compliance with the Policy on Government Security, in order to protect government information and assets against compromise. In its Corporate Security Policy, DCC refers to industrial security and corporate security requirements. "Industrial security requirements" are the Client-Partner's security requirements for a project, which it communicates to DCC during the procurement phase. DCC ensures that these requirements are met and managed appropriately. The Corporation tracks all instances of non-compliance.

When an occurrence of non-compliance occurs, DCC ensures that corrective actions are implemented. DCC will coordinate all efforts with applicable stakeholders, such as the Deputy Security Officer, the Canadian Industrial Security Directorate and/or other local security authorities, as appropriate.

Corporate security requirements are DCC's internal security requirements for its own corporate information, assets and employees. All occurrences are reviewed and managed. Where applicable, corrective measures are taken.

The target is to have no compromises in either corporate or industrial security requirements. In 2013–14, there were six occurrences related to DCC's corporate security requirements, with no compromise in security.

Regarding industrial security, there were eight occurrences without compromise, and one occurrence with a potential compromise. This potential compromise was referred to the appropriate authorities for review and/or investigation.

SUCCESS IN RESPONDING TO GOVERNMENT REQUESTS

Each year, government stakeholders submit a variety of inquiries to DCC for information beyond that provided via corporate reporting requirements. These queries include order paper questions, ministerial constituent inquiries and ministerial questions, to name a few. The volume of these requests fluctuates, depending on the current business environment. In 2013–14, DCC received and responded to 53 requests. In 2012–13, it responded to 30 such inquiries. DCC stands ready to respond to these inquiries in a timely manner.

5.0 RISK MANAGEMENT

A key aspect of DCC's corporate governance is its ability to manage all forms of risk and liability. Under the direction of the Board of Directors, senior management established a comprehensive corporate risk management framework. The framework is based on the principles of integrated risk management and is written in accordance with the risk management methodology used by DND and many other government organizations. Sound risk management practices are already ingrained in DCC's corporate culture, and the framework supports better integration with the Corporation's strategic planning process and business management framework.

The framework ensures that management's direction on risks is clearly communicated, understood and applied throughout DCC; that risk management is integrated into DCC's existing decision-making, planning and corporate governance structures; and that there is a consistent means to effectively apply risk management regularly to corporate and project-related activities.

DCC's strategic-level corporate risks relate to factors that could impede the Corporation's ability to serve its Client-Partners, such as circumstances beyond DCC's control that result in project schedule delays; uncertainty in government funding for defence and public security infrastructure budgets; and industry-related labour issues. DCC classifies risks as high, medium or low. Each risk assessment is based on the likelihood of the risk occurring, and its impact or consequences. The risk response strategies can be summarized as follows: mitigate high risks, monitor medium risks and

accept low risks. During 2013–14, DCC updated the risk register on an ongoing basis and all identified risks were successfully managed in accordance with the risk mitigation strategies.

6.0 FINANCIAL PERFORMANCE

6.1 REVENUE

For 2013–14, the Corporation began reporting revenue using an activity-based reporting model, rather than the service line model used in previous years. Consequently, it realigned its revenue reporting into six major activities in 2013–14, versus five service lines in the previous year. As a result of this change, revenue details are less comparable year over year. However, DCC has approximated them for the purposes of the variance analysis. Construction Services revenue reported in 2012–13 is now reported under two activities: Contract Management and Construction Technical Support. Each of the remaining service lines reported in 2012–13 is reported as a single activity in 2013–14.

SERVICES REVENUE

Services revenue for all activities combined was $92.9 million in 2013–14, a decrease of $21.6 million or approximately 19% from the previous year. The decrease is related to the overall drop in business volume due to lower client demand for services and optimization efforts by the Corporation. Billing rates, which remained unchanged from the previous year, had no impact on the decrease.

CONTRACT MANAGEMENT AND CONSTRUCTION TECHNICAL SUPPORT

Revenue from Contract Management and Construction Technical Support activities in 2013–14 represented 52% of total revenue and decreased by 14% over the previous year. The decrease related to lower demand for contract management and construction technical support services from DND.

PROJECT PLANNING

Project Planning revenue decreased by 4% in 2013–14, due to lower DND demand for these services. The cyclical nature of DND's demand for these services has a direct impact on the revenue this activity generates from year to year.

REAL PROPERTY TECHNICAL SUPPORT

Real Property Technical Support revenue decreased by 18% in 2013–14, due to lower demand for services related to facility and portfolio management, and the reclassification and consolidation of real property-type contract work to other activities.

ENVIRONMENTAL TECHNICAL SUPPORT

Environmental Technical Support revenue decreased in 2013–14 by 51% over the previous fiscal year, driven by decreased demand for these services and the implementation of activity-based reporting which shifted some revenue to contract management. The cyclical nature of DND's demand for these services has a direct impact on the revenue this activity generates from year to year.

PROCUREMENT

Procurement revenue decreased during 2013–14 by 39% over the previous year. The dollar value of contracts awarded during 2013–14 and the number of contracts awarded decreased in comparison with the previous fiscal year. The cyclical nature of DND's demand for these services has a direct impact on the revenue this service line generates from year to year.

REVENUE, BY ACTIVITY

(IN THOUSANDS OF DOLLARS)

	2013-14	2012-13	CHANGE $	CHANGE %
Contract Management	$ 42,892	$ 56,245	(13,353)	-24%
Construction Technical Support	5,273	–	5,273	100%
Total Contract Management and Construction Technical Support	48,165	56,245	(8,080)	-14%
Project Planning	23,482	24,443	(961)	-4%
Real Property Technical Support	8,643	10,477	(1,834)	-18%
Environmental Technical Support	6,392	13,139	(6,747)	-51%
Procurement	6,227	10,237	(4,010)	-39%
	$ 92,909	**$ 114,541**	**(21,632)**	**-19%**

INVESTMENT REVENUE

Investment revenue, which is generated from the Corporation's average cash balance in the bank and from investments, increased in 2013–14 by $43,000 or approximately 7% over the previous fiscal year. This increase was due to the investment of excess funds, which yielded average returns of 3.9% in 2013–14. In the previous year, similar investments yielded an average return of 3.8%.

INVESTMENT REVENUE

(IN THOUSANDS OF DOLLARS)

	2013-14	2012-13	CHANGE $	CHANGE %
Investment revenue	$ 641	$ 598	43	7%

6.2 EXPENSES

SALARIES AND EMPLOYEE BENEFITS

Salaries totalled $67.0 million in 2013–14, a decrease of $11.3 million or approximately 14% over the previous fiscal year. The 14% decrease can be explained by a decline in the number of full-time equivalents (FTEs), due to lower levels of business activity, which led to a decrease in salaries of approximately 18 percentage points; that decrease was offset by an increase of approximately 4 percentage points due to salary increases and employee mix. The 14% decrease in salaries is smaller than the corresponding 19% decrease in revenue. The smaller proportional decrease in salaries was due to the billing rate freeze and the decrease in the utilization rate, as explained in section 4.1.

Employee benefits totalled $18.3 million in 2013–14, a decrease of $2.7 million or approximately 13% over the previous fiscal year. This decrease was proportional to the decrease in salaries, as benefits as a proportion of salaries remained at approximately 27% year over year.

SALARIES AND EMPLOYEE BENEFITS

(IN THOUSANDS OF DOLLARS)

	2013-14	2012-13	CHANGE $	CHANGE %
Salaries	$ 67,006	$ 78,282	(11,276)	-14%
Employee benefits	18,282	20,980	(2,698)	-13%
	$ 85,288	**$ 99,262**	**(13,974)**	**-14%**
Employee benefits as a percentage of salaries	27%	27%		

OPERATING AND ADMINISTRATIVE EXPENSES

Operating and administrative expenses were $7.1 million in 2013–14, a decrease of $1.8 million or approximately 20% over the previous year. A variety of factors influenced these expenses.

OPERATING AND ADMINISTRATIVE EXPENSES

(IN THOUSANDS OF DOLLARS)

	2013–14	2012–13	CHANGE $	CHANGE %	VARIANCE ANALYSIS
Rent	$ 2,141	$ 2,302	(161)	-7%	The decrease was due to reduced space requirements in the National Capital Region and reduced rental rates for Head Office negotiated on renewal during the year.
Employee training and development (T&D)	1,263	1,559	(296)	-19%	The decrease was due to a drop in T&D activities related to reduced FTEs and to fewer training hours per FTE.
Professional services	887	1,793	(906)	-51%	The decrease was due to lower use of human resources consulting services related to the job evaluation project and to the reversal of accruals from the previous year to cover staff outplacement services that some former employees chose not to use. Also, information technology (IT) consulting costs decreased compared with the previous year.
Software maintenance	645	620	25	4%	The increase was due to higher utilization of software tools to support operations.
Telephone and data communications	617	672	(55)	-8%	The decrease was due to cost savings related to changes to the corporate network and cellular services.
Travel	441	575	(134)	-23%	The decrease was due to DRAP-related efforts to reduce discretionary travel costs.
Office services, supplies and equipment	413	490	(77)	-16%	The decrease was due to lower spending on office services and supplies due to DRAP-related cost containment efforts and to the lower number of FTEs.
Printing and stationery	146	181	(35)	-19%	The decrease was due to lower spending on printing-related costs, such as photocopying and printing supplies, due to cost containment efforts and the lower number of FTEs.
Staff relocation	143	178	(35)	-20%	The decrease was due to lower levels of key staff relocation activity in 2013–14. The need for staff relocation is highly variable and not necessarily related to business volume. The reduction was also an effort to contain costs under the DRAP.
Client services and communications	111	129	(18)	-14%	The decrease was due to reduced printing costs and a project delay related to upgrading the DCC intranet content management system.
Furniture and equipment	52	86	(34)	-40%	The decrease was due to lower requirements for furniture and equipment due to reductions in FTEs.
Postage and freight	50	60	(10)	-17%	The decrease was due to lower requirements for postage due to use of electronic payments and corporate-wide electronic document management.
Computer equipment	42	53	(11)	-21%	The decrease was due to lower requirements for computer equipment due to the lower number of FTEs.
Memberships and subscriptions	25	42	(17)	-40%	The decrease was due to efforts to reduce discretionary spending.
Other	78	128	(50)	-39%	The decrease was mainly due to lower spending on computer software and recruiting expenses.
	$ 7,054	**$ 8,868**	**(1,814)**	**-20%**	

DEPRECIATION AND AMORTIZATION

Depreciation and amortization combined decreased by a total of 2% or $29,000 in 2013–14. Amortization of intangible assets increased by $32,000 or 19% over the previous fiscal year due to the Corporation's capital costs over the past three fiscal years to buy and implement document management software and new modules for the enterprise resource planning (ERP) system. Depreciation of assets under finance lease increased by 24% or $28,000 due to adjustments to the number of assets in use following an inventory of assets under capital lease. Depreciation of property, plant and equipment decreased by 8% or $89,000 due to fewer acquisitions of computer equipment as a result of the reduction in FTEs.

DEPRECIATION AND AMORTIZATION

(IN THOUSANDS OF DOLLARS)

	2013-14	2012-13	CHANGE $	CHANGE %
Depreciation of property, plant and equipment	$ 973	$ 1,062	(89)	-8%
Depreciation of assets under finance lease	146	118	28	24%
Amortization of intangible assets	202	170	32	19%
	$ 1,321	**$ 1,350**	**(29)**	**-2%**

6.3 TOTAL COMPREHENSIVE INCOME

The total comprehensive income of the Corporation for the year ended March 31, 2014, was $1.2 million, compared with total comprehensive income of $7.3 million in the previous year, a decrease of 84% or $6.1 million.

The decrease in net income of $5.8 million or 102% is due to a combination of factors, including a decrease in revenue, a freeze in billing rates, and a decrease in the utilization rate. The decrease in net income is consistent with the Corporation's policy of managing its cash reserves at a level appropriate to meet current and future requirements.

The decrease in other comprehensive income from $1.6 million in fiscal 2012–13 to $1.3 million in fiscal 2013–14 is due to a decrease in the experience gain on the actuarial valuation of employee benefits due to changes in assumptions and mortality tables used for the valuation.

TOTAL COMPREHENSIVE INCOME

(IN THOUSANDS OF DOLLARS)

	2013-14	2012-13	CHANGE $	CHANGE %
Net income (loss)	$ (133)	$ 5,636	(5,769)	-102%
Other comprehensive income				
Actuarial gain on employee benefit obligations	1,322	1,627	(305)	-19%
Total comprehensive income	**$1,189**	**$ 7,263**	**(6,074)**	**-84%**

6.4 LIQUIDITY AND CAPITAL RESOURCES

DCC's financial management policy is to generate and maintain sufficient cash to meet the Corporation's anticipated operating and capital requirements, to settle its financial obligations as they become due, and to maintain adequate cash reserves to meet contingencies that may arise.

The Corporation operates on a fee-for-service basis and receives no cash funding through government appropriations, nor does it maintain or have access to any lines of credit or other sources of borrowings. Thus, the Corporation's cash is generated solely from fees collected from DND for services provided.

Consistent with its mandate, the intent of the Corporation is to operate on a slightly better than break-even basis. The Corporation sets billing rates based on expected program and operating costs. However, unexpected increases in program services provided to DND, as well as DCC's success in achieving its own operating efficiencies, can result in margins that exceed its initial targets. Cash levels are constantly monitored and any cash surpluses judged to exceed operating requirements are reduced through future operating plans and budgets, particularly through the setting of billing rates for services provided to DND. In preparing its operating plans, the Corporation prudently allows for reasonable

levels of cash contingencies in its financial projections to ensure that it has sufficient cash reserves to continue to fulfill its mandate and serve its Client-Partners in an effective and timely manner.

The objective of the cash management policy is to keep available sufficient cash reserves, recognizing the potential for short-term interruptions of collections of receivables, to meet DCC's obligations. Potential obligations considered in the cash management policy include salaries, benefits and other current operating costs; long-term employee benefits; and other obligations that may arise in relation to Government of Canada directives.

The Corporation considers several factors when determining the amount of cash reserves to maintain, including the planning and operating risk inherent in its operations. In particular, the risk associated with potential and unanticipated changes to the amount or timing of DND construction project expenditures has a direct impact on the amount or timing of services DCC provides and on the cash generated.

Although DCC has a secure client base from which it regularly collects receivables, several things can affect the timing of those collections. Routine delays in Client-Partners' approvals and processing of invoices can affect some collections from time to time.

There are no restrictions on the use of the Corporation's funds, and no legal or statutory obligations to segregate funds for any current or future liabilities, including future benefits for employees. As such, the Corporation does not have any segregated or restricted funds, and cash in excess of short-term operational and capital requirements is invested in accordance with the investment policy approved by the Board of Directors.

CASH REQUIREMENTS AND USES

Some of the more significant working capital cash requirements include payments for salaries, wages and benefits, leased office space, employee training and development, professional services, telecommunications, office supplies, and business travel. DCC also maintains and uses cash to buy computer hardware and software, as well as office furniture and equipment, and to pay for leasehold improvements.

Cash may also be required for costs associated with workforce adjustments, including relocations, if such adjustments are required as a result of unexpected fluctuations or changes in DND's infrastructure program.

CASH AND INVESTMENTS

Cash and investments totalled $40.0 million at March 31, 2014, an increase of $4.0 million or 11% from the previous year.

The cash balance at March 31, 2014, was $29.6 million, an increase of $3.7 million or 14% from the previous year. During 2013–14, the Corporation generated $5.1 million in cash from operating activities, spent $803,000 on capital expenditures, invested $399,000 and paid $154,000 on finance lease obligations.

Investments (both current and long term) at March 31, 2014, were $10.4 million, an increase of $306,000 or 3% from the previous year. Investments consist of non-derivative financial assets with fixed or determinable payments and fixed maturity. The Corporation currently invests in listed bonds and mutual funds that are recorded at cost and amortized using the effective interest method. The investments held are consistent with the policy approved by the Board of Directors. It is the Corporation's intention to hold the investments to maturity.

TRADE RECEIVABLES

Trade receivables are due from the Corporation's clients, mainly DND. At March 31, 2014, the amount of trade receivables was $16.3 million, which represents a decrease of $5.4 million or 25% over the previous year. The decrease was due to lower revenue in 2013–14 compared with the previous year and to the timing of receipts.

CURRENT LIABILITIES

Current liabilities were $7.6 million at March 31, 2014, a decrease of $3.3 million or 31% from March 31, 2013. The decrease in current liabilities was due to the timing of accounts payable at year end related to payroll deduction remittances, a decrease in year-end payroll expense accruals, and a decrease in the vacation and overtime accrual and other timing of payments.

LIQUIDITY AND CAPITAL RESOURCES

(IN THOUSANDS OF DOLLARS)

	2013-14	2012-13	CHANGE $	CHANGE %
Cash	$ 29,568	$ 25,829	3,739	14%
Investments	10,420	10,114	306	3%
Cash and investments	**$ 39,988**	**$ 35,943**	**4,045**	**11%**
Trade receivables	**$ 16,331**	**$ 21,687**	**(5,356)**	**-25%**
Current liabilities	**$ 7,579**	**$ 10,926**	**(3,347)**	**-31%**

6.5 EMPLOYEE BENEFITS

The Corporation records a liability for the estimated cost of sick leave and retirement allowance for active employees, and health care and life insurance benefits for its retirees. This estimate is actuarially determined. The accrual for employee benefits at March 31, 2014, was $15.6 million, an increase of $1.0 million or approximately 7% from the previous year.

The balance increased by $1.0 million due to a number of factors, which include a decrease of $810,000 for payments of benefits; a net decrease of $1.3 million for experience gains and losses, which was actuarially determined; an increase in current service costs of employees of $2.5 million; and an increase for the interest on present value of the obligation of $670,000.

The provision for employee benefits fluctuates from year to year due to a combination of factors, including the inflation rate; workforce changes; changes in the discount rate, which is determined by reference to market interest rates; changes in the average rate of salary increases; and changes in the average expected remaining service lifetime of active employees, due to changing demographics. Note 17 to the financial statements describes the actuarial assumptions used in determining the liability. This liability is primarily a non-current one and the Corporation estimates the current payout amount based on the best information available. Although the Corporation has not specifically segregated funds for this obligation, it has sufficient capital resources to meet its employee benefit payment obligations as they become due.

EMPLOYEE BENEFITS

(IN THOUSANDS OF DOLLARS)

	2013-14	2012-13	CHANGE $	CHANGE %
Total employee benefits	$ 15,592	$ 14,565	1,027	7%
Less: Current portion	570	172	398	231%
Long-term portion	$ 15,022	$ 14,393	629	4%

6.6 CAPITAL EXPENDITURES

The Corporation's capital expenditures for 2013–14 totalled $803,000, a decrease of $371,000 or 32% from the previous year. The decrease was mainly due to lower spending for computer equipment, intangible assets, and furniture and equipment, due to a lower number of FTEs during the year. Leasehold improvement costs increased due to the relocation of offices in the National Capital Region.

CAPITAL EXPENDITURES

(IN THOUSANDS OF DOLLARS)

	2013-14	2012-13	CHANGE $	CHANGE %
Intangible assets	$ 201	$ 318	(117)	-37%
Computer equipment	528	763	(235)	-31%
Leasehold improvements	65	37	28	76%
Furniture and equipment	9	56	(47)	-84%
	$ 803	**$ 1,174**	**(371)**	**-32%**

6.7 ACTUAL PERFORMANCE VERSUS PLAN

The following table compares the Corporation's actual performance in 2013–14 with the projections in the Corporate Plan.

Services revenue was $17.1 million or 16% below plan, due mainly to lower-than-planned business volume due to lower-than-planned service requirements of the client.

Investment revenue was $181,000 or 39% above plan. This variance was primarily due to a higher-than-planned cash balance and returns on the investment portfolio.

Salaries and employee benefits were $16.5 million or 16% lower than plan. This decrease was largely the result of lower-than-planned staff growth and lower-than-planned service requirements of the client.

Operating and administrative expenses were $2.2 million or 24% below plan. The decrease was largely the result of lower-than-planned business activity and lower-than-planned spending in all areas but more specifically in training and development, professional services, travel, software maintenance, and office expenses, due to the Corporation's efforts to lower spending and also as part of the DRAP measures.

Depreciation and amortization were $303,000 or 19% lower than plan, due to lower-than-planned capital expenditures in 2013–14.

The variation in total comprehensive income compared with the plan loss was the result of three major factors: a better gross margin rate; a decrease in operating and administrative expenses, expressed as a percentage of revenue; and an unplanned actuarial gain on employee benefits.

Capital expenditures were $1.6 million or 66% below plan, due to lower spending in all categories, mainly due to the lower number of FTEs.

ACTUAL PERFORMANCE VERSUS PLAN

(IN THOUSANDS OF DOLLARS)

	ACTUAL	PLAN	CHANGE $	CHANGE %
REVENUE				
Services	$ 92,909	$110,080	(17,171)	-16%
Investment	641	460	181	39%
	93,550	110,540	(16,990)	-15%
EXPENSES				
Salaries and employee benefits	85,288	101,778	(16,490)	-16%
Operating and administrative costs	7,074	9,300	(2,226)	-24%
Depreciation and amortization	1,321	1,624	(303)	-19%
	93,683	112,702	(19,019)	-17%
Loss for the year	(133)	(2,162)	2,029	-94%
Other comprehensive income	1,322	–	1,322	100%
Total comprehensive income (loss)	$ 1,189	$ (2,162)	3,351	-155%
Capital expenditures	$ 803	$ 2,387	(1,584)	-66%

FIVE-YEAR SUMMARY FINANCIAL INFORMATION

(IN THOUSANDS OF DOLLARS)

	2013-14	2012-13	2011-12	2010-11	2009-10
REVENUE					
Services	$ 92,909	$ 114,541	$ 111,806	$ 93,576	$ 89,654
Investment	641	598	495	209	73
	93,550	115,139	112,301	93,785	89,727
EXPENSES					
Salaries and employee benefits	85,288	99,262	92,610	79,466	74,552
Operating and administrative costs	7,054	8,868	9,477	8,181	7,964
Depreciation and amortization	1,321	1,350	1,297	1,066	939
Finance costs	20	23	27	24	–
	93,683	109,503	103,411	88,737	83,455
Profit (loss) for the year	(133)	5,636	8,890	5,048	6,272
Other comprehensive income	1,322	1,627	98	369	853
Total comprehensive income	$ 1,189	$ 7,263	$ 8,988	$ 5,417	$ 7,125
Retained earnings, beginning of the year	35,651	28,388	19,400	13,983	6,858
Retained earnings, end of the year	$ 36,840	$ 35,651	$ 28,388	$ 19,400	$ 13,983
ASSETS					
Cash	$ 29,568	$ 25,829	$ 20,869	$ 12,789	$ 17,493
Investments	10,420	10,114	9,835	9,593	–
Trade receivables, prepaids and other current assets	17,234	22,405	23,789	19,871	16,984
Property, plant and equipment, and assets under finance lease	1,806	2,275	2,490	2,532	2,073
Intangible assets	559	560	428	370	111
	$ 59,587	$ 61,183	$ 57,411	$ 45,155	$ 36,661
LIABILITIES					
Trade and other payables	$ 6,900	$ 10,623	$ 7,853	$ 7,991	$ 7,911
Finance lease obligation	255	344	364	354	287
Employee benefits	15,592	14,565	20,806	17,410	14,480
	22,747	25,532	29,023	25,755	22,678
EQUITY					
Share capital	–	–	–	–	–
Retained earnings	36,840	35,651	28,388	19,400	13,983
	36,840	35,651	28,388	19,400	13,983
	$ 59,587	$ 61,183	$ 57,411	$ 45,155	$ 36,661

FIVE-YEAR SUMMARY FINANCIAL INFORMATION (CONTINUED)

(IN THOUSANDS OF DOLLARS)

	2013–14	2012–13	2011–12	2010–11	2009–10
CASH FLOWS FROM (USED IN):					
Operating activities	$ 5,095	$ 6,610	$ 9,747	$ 6,664	$ 10,595
Acquisition of property, plant and equipment, and intangibles	(803)	(1,134)	(1,191)	(1,616)	(1,064)
Acquisition of investments	(399)	(380)	(362)	(9,651)	–
Financial activities	(154)	(136)	(114)	(101)	–
Increase (decrease) in cash during the year	3,739	4,960	8,080	(4,704)	9,531
Cash, beginning of the year	25,829	20,869	12,789	17,493	7,962
Cash, end of the year	$ 29,568	$ 25,829	$ 20,869	$ 12,789	$ 17,493

6.8 DEFICIT REDUCTION ACTION PLAN (DRAP)

In the 2011 Budget, the Government of Canada introduced the Deficit Reduction Action Plan (DRAP), intended to achieve cost savings for the government. Through the Minister of Public Works and Government Services, the Corporation's Board received a letter asking it to do a review to support the DRAP. The DRAP is intended to achieve cost savings over three fiscal years: 2012–13, 2013–14 and 2014–15. In the *2013 Speech from the Throne*, and the *November 2013 Update of Economic and Fiscal Projections* by the Minister of Finance, the Government of Canada extended this commitment to fiscal restraint by freezing the overall federal operating budget for 2014–15 and 2015–16.

DCC identified a number of ways to reduce its indirect operating costs. The Corporation estimated it could save approximately $2.5 million annually—about 7% of its indirect operating costs of $35.4 million for 2011–12.

DCC identified three categories of cost savings: operational, salary and benefits, and corporate-wide savings. Regarding operational savings, DCC aimed to reduce service delivery costs by 5%, or $550,000, through efficiency gains. In relation to salaries and benefits, the Corporation expected to save $1.3 million by changing a number of policies. Across the Corporation, DCC proposed to save $650,000 by reducing various expenses. DCC measured these three initiatives using 2011–12 data as a baseline for DRAP savings. The following table shows DCC's progress on each initiative it proposed under the DRAP.

TYPE OF SAVINGS	DESCRIPTION OF MEASURE	TARGET	SAVINGS ACHIEVED	STATUS
Corporate-wide savings	DCC proposed reducing the external costs of training and development (T&D) by reducing the target ratio from 2.5% of base salary expenses to 2% (external T&D costs are one component of the overall T&D target of 4.5% of base salary costs). DCC also suggested reducing cell phone costs by adopting the existing government standing offer wherever possible. It also proposed cutting the costs of relocation, internal audits, office supplies and business travel.	DCC proposed reducing the external costs of T&D by $405,000 annually; cell phone costs by $60,000; relocation costs by $50,000; spending on internal audits by $50,000; expenses for office supplies by $50,000; and business travel costs by $35,000. Combined, these measures would reduce general and administrative expenses by $650,000 annually.	Actual savings in 2013–14 compared to the 2011–12 baseline were as follows: • T&D, $332,000; • cell phones, $107,000; • relocation $301,000; • internal audits, $72,000; • office supplies, $159,000; and • business travel costs, $116,000. Savings from corporate-wide initiatives totalled $1.087 million.	Achieved 167% of target
Operational savings	DCC committed to reducing contract management service delivery cost to DND.	DCC aimed for a 5% reduction in service delivery cost based on 2011–12 actuals. In 2011–12, the service delivery cost for $982.6 million in contract expenditures (which excludes deployed operations) was $54.3 million or 5.53%.	In 2013–14, the service delivery cost for $863.4 million in contract expenditures was $42.9 million or 4.97%. If service delivery costs had amounted to 5.53% of contract expenditures, as in 2011–12, they would have totalled $47.7 million. DCC reduced service delivery costs by 10.2%, which represents a savings to DND of $4.86 million.	Achieved 203% of target in the second year of the plan
Salary and benefits savings	DCC proposed eliminating the future accrual of retirement allowances; eliminating the excessive vacation payout policy; introducing a voluntary one-week leave without pay policy; implementing a voluntary reduced workweek policy; and eliminating the bilingual bonus and language testing. Also, due to a reduction in health care premiums, DCC negotiated additional savings with its benefits provider in 2012–13.	These measures were to generate savings of $1.3 million over 2011–12 figures. Most of the items were benefits, and benefits as a percentage of salary expense in 2011–12 were 30%.	DCC implemented most of the savings measures proposed. In 2013–14, DCC reduced benefits as a percentage of salary expense to 27% from 30% in 2011–12. This represents a savings of $1.82 million.	Achieved 140% of target
Overall, DCC achieved total DRAP savings of $7.8 million in 2013–14, or 312% of its DRAP target of $2.5 million.				

In addition to the proposed DRAP savings, DCC elected to freeze billing rates for the DRAP period. The Corporation achieved savings from freezing billing rates in 2013–14 of $3.8 million. The total savings during the first two fiscal years of DRAP measures can be summarized as follows:

DRAP SAVINGS 2012-2014

	BY FISCAL YEAR		TOTAL DRAP SAVINGS		VARIANCE	
($ THOUSANDS)	2012-13	2013-14	TARGET	ACHIEVED	$	%
Corporate-wide savings	$ 807	$ 1,087	$ 1,300	$ 1,894	594	46%
Salaries and benefits savings	2,400	1,820	2,600	4,220	1,620	62%
DCC direct cost savings	**3,207**	**2,907**	**3,900**	**6,114**	**2,214**	**57%**
Operational savings	2,170	4,860	5,243	7,030	1,787	34%
Billing freeze savings	2,291	3,762	6,053	6,053	–	0%
Reduced costs to DND	**4,461**	**8,622**	**11,296**	**13,083**	**1,787**	**16%**
Total savings	**$ 7,668**	**$ 11,529**	**$ 15,196**	**$ 19,197**	**4,001**	**26%**

7.0 OUTLOOK

Efficiency and cost effectiveness have been at the forefront of DCC's commitment to service since its inception in 1951; in the coming planning period, these attributes will be more important than ever. Although Canada's economy is strong in comparison to those of other countries, government-led fiscal restraint initiatives are greatly affecting DCC's business strategy.

It is a time of change for DND/CAF. It is transitioning to a slower pace of operations following the end of the combat mission to Afghanistan and is looking toward new priorities, such as maintaining an appropriate presence in and surveillance of the Arctic. In the midst of this, DCC's performance has remained consistent, and the self-sustaining Crown corporation remains flexible in supporting its Client-Partners.

DCC's mandate is to provide infrastructure service and full lifecycle support for Canada's defence requirements. In its role as a support organization for larger defence and security organizations, DCC works in a global planning context that mirrors that of its Client-Partners. The same factors and conditions that affect Canada, and Canada's defence and security organizations, could have a direct impact on DCC's long-term ability to achieve its mission.

At home, Canada's deficit-reduction activities are an important part of the country's fiscal strategy. They are designed to help Canada maintain its long-term economic prosperity. Canada's construction industry is becoming larger and much more complex, with an increase in the number of projects in the $1-billion range. Along with fewer construction firms, there is more foreign ownership and a forecasted shortage of skilled labour. Additionally, all owners must keep up with new project management and delivery methodologies.

All of DCC's strategic initiatives are multi-year initiatives. As work progresses on them, they will affect the Corporation throughout the 2014–15 to 2018–19 planning period. Most of the initiatives are carry-overs from past years and are progressing to the next phase of their development. Many of them relate to improving or optimizing existing technology infrastructure or business management systems. Others relate to training and development, social media, corporate social responsibility and external communications. Given the scope of these initiatives and the fact that they relate to people and behavioural changes, this transformational work will unfold throughout the coming planning period and beyond.

There are three new initiatives for the upcoming year. One is to reinforce DCC's Procurement Integrity Framework, a key element of which is the Procurement Code of Conduct (PCC). The PCC ensures transparency, accountability and high standards of ethical conduct in DCC's procurement of goods and services. It sets out expectations for contractors' conduct during the procurement process

and during their work to ensure integrity in defence infrastructure contracts. All suppliers who bid on or win contracts must abide by the PCC's obligations, since these obligations form part of the contract.

DCC has signed a memorandum of understanding with Public Works and Government Services Canada (PWGSC) to carry out integrity verifications on winning bidders. This involves searching a database of provincial records and other publicly available data to see whether the firms or any of their officers have been convicted of fraud or related offences.

DCC aims to verify all firms before awarding contracts, to ensure that all contracts are awarded to firms without prior convictions for fraud or other related offences, and to ensure that all contractors and consultants comply with the PCC. Starting in 2013–14, PWGSC has expanded the scope of its criteria for what determines a bidder to be non-compliant with its integrity verification. DCC does not award contracts to firms that have been convicted of offences listed in the PCC.

The second initiative is to respond to any recommendations arising out of DCC's internal audit of Contract Services. Finally, the third initiative will see the development of a comprehensive corporate Integrity Management Framework. This will consolidate all of DCC efforts to ensure integrity throughout its procurement processes.

Like the budgets of all Government of Canada organizations, the budget for the DND portfolio has been reduced. Additionally, the Department is subject to the 2014–16 freeze on operating budgets. The reductions are designed to restrain growth, with a focus on administrative efficiency in areas that do not directly contribute to operational readiness. On a transaction-by-transaction basis, DCC advises DND on areas where DND can save money.

Spending on DND's infrastructure and environment (IE) capital expenditure programs is forecasted to decrease slightly in 2014–15, then increase slightly over the next few years. DND is changing the way it manages real property. This IE renewal began in 2012–13, when a new business model was approved. Before, nine custodians were accountable for managing DND's real property. This new business model, which moves DND to a centralized model with a single portfolio manager and four custodians, was implemented at the end of fiscal 2013–14. The transformation will continue until there is a single custodian, potentially by spring 2016. This is a complex process that involves changing relationships, structures and cultures. The goals of this change are to ensure that DND is focusing on operational capability and readiness, to reduce costs, and to improve efficiency. DCC will continue to support DND throughout the transformation process.

DCC expects to support DND/CAF as the Government of Canada proceeds with the Canada First Defence Strategy. For example, DCC could provide infrastructure support for projects related to the National Shipbuilding Procurement Strategy, which includes activities related to the Royal Canadian Navy's Arctic patrol ships. DCC's biggest current challenge is to maintain its flexibility to respond to DND's changing needs. DCC has its own cost-reduction commitments to meet, but it also needs to help DND meet its cost-reduction commitments without compromising its infrastructure. All Government of Canada spending is being reviewed to ensure efficiency and effectiveness.

In the Corporate Plan for 2012–13 to 2016–17, the Corporation identified and discussed potential savings in the areas of corporate services, corporate-wide initiatives, and salaries and benefits. It also committed to reducing the cost of DCC services to DND/CAF, by freezing billing rates from 2012–13 to 2014–15, and identified a number of actions designed to reduce the cost of construction contract management services rendered to DND/CAF by 5%.

The Corporation has projected Deficit Reduction Action Plan (DRAP) savings of approximately $4.0 million for 2014–15. The DRAP savings measures have had an impact on the way DCC conducts its day-to-day business. In an already lean organization, everyone at DCC has made an adjustment. This transformation process has affected employees in various ways. However, the culture of DCC is one of flexibility and agility, and DCC stands ready to support Canada wherever it can.

Finally, the Canadian Construction Association forecasts that the industry will need 252,000 new workers by 2021, just to replace those who have retired. Given these

conditions, DCC is keenly aware that it must continually enhance its workplace and its human resources approaches. This will help ensure that the Corporation is recognized as an employer of choice, so that it can recruit and retain the best employees.

7.1 FINANCIAL OUTLOOK

The Corporation has traditionally taken a conservative approach to forecasting future growth. Its latest Corporate Plan shows a decrease in revenue of approximately 12% in 2014–15, driven by anticipated lower business volume. The Corporation has committed to freezing billing rates through 2015–16.

For the remaining plan years, revenue is forecasted to increase by approximately 7% in 2015–16, 8% in 2016–17 and 4% in 2017–18, and then to decrease by 4% in 2018–19. DCC expected to raise billing rates by 1% in 2015–16, however will maintain 0% in the next Corporate Plan to support our continuing commitment to DRAP. DCC expects to raise billing rates by 1% in 2016–17, 1.5% in 2017–18 and 1.5% in 2018–19, after holding them at 2011–12 levels for four years. Services revenue is expected to grow by 7% in 2015–16, 8% in 2016–17 and 4% in 2017–18, then to decrease by 4% in 2018–19. These forecasts are based on DCC's projections of future Client-Partner service demands.

Salary and benefits expenses for 2014–15 are forecasted to decrease by approximately 6.9% from those in 2013–14, due to the expected 12% revenue decrease, and to a combination of inflation and performance-based merit increases totalling 5%. The expected increases in salary and benefits expenses in 2015–16, 2016–17, 2017–18 and 2018–19 are 4%, 8%, 5% and -1%, respectively. They are due to a combination of factors, including expected increases for inflation and merit pay, and expected increases and decreases to the workforce, in line with projected changes in services revenue.

Operating and administrative expenses for 2014–15 are projected to increase by 5.5% from those in 2013–14. This increase includes increases related to inflation and ongoing corporate initiatives. Operating and administrative expenses are forecasted to increase by 1% annually from 2015–16 to 2018–19. The increases in the latter part of the plan are related to inflation.

Depreciation and amortization are expected to increase by 14% in 2014–15 over figures in 2013–14, due mainly to the projected rise in capital expenditures. Projections for capital expenditures, as discussed below, will affect the year-to-year fluctuation in depreciation and amortization over the remaining years of the plan.

A total comprehensive loss of $5.6 million is forecasted for 2014–15, a decrease of 570% from the actual total comprehensive income of $1.2 million in 2013–14. The decrease is a result of holding billing rates at the 2011–12 level, along with increases in salary and benefits expenses, and operating and administrative expenses. Total comprehensive loss is expected to drop to $3.7 million in 2015–16 and to $3.3 million in 2016–17, and then to increase in each of the remaining years of the plan, to $6.4 million in 2018–19. The losses are planned as a way to reduce cash and investments to the optimal level, based on the Corporation's cash management policy.

Capital expenditures are projected to increase by 197% in 2014–15 over the previous year. The anticipated expenditures will relate primarily to the deployment of new technology to increase staff efficiency, and investments in corporate budgeting and reporting capabilities. Spending is projected to drop in 2015–16, to rise in 2016–17 and then to remain stable for the remaining years of the plan, due to the expected capital replacement plans for information technology that will spread spending more evenly over the years.

FINANCIAL OUTLOOK

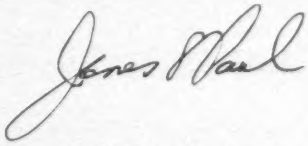
(IN THOUSANDS OF DOLLARS)

	2013-14 Actual	2014-15 Plan	2015-16 Plan	2016-17 Plan	2017-18 Plan	2018-19 Plan
Services revenue	**$ 92,909**	$ 82,212	$ 87,967	$ 95,004	$ 98,804	$ 94,852
Investment revenue	**641**	600	450	400	350	275
Total revenue	**93,550**	82,812	88,417	95,404	99,154	95,127
Salaries and employee benefits	**85,288**	79,430	82,629	89,065	93,191	91,843
Operating and administrative expenses	**7,054**	7,439	7,513	7,588	7,664	7,741
Depreciation of property, plant and equipment	**973**	1,255	1,689	1,781	1,724	1,710
Depreciation of assets under finance lease	**146**	125	125	125	125	125
Amortization of intangible assets	**202**	120	120	120	120	120
Finance costs	**20**	30	30	30	30	30
	93,683	88,399	92,106	98,709	102,854	101,569
Profit (loss) for the year	**$ (133)**	$ (5,587)	$ (3,689)	$ (3,305)	$ (3,700)	$ (6,442)
Comprehensive income	**1,322**	–	–	–	–	–
Total comprehensive income	**1,189**	(5,587)	(3,689)	(3,305)	(3,700)	(6,442)
Capital expenditures	**$ 803**	$ 2,387	$ 1,781	$ 2,250	$ 2,250	$ 2,250

MANAGEMENT RESPONSIBILITY STATEMENT

The management of the Corporation is responsible for the performance of the duties delegated to it by the Board of Directors. These include the preparation of an Annual Report and the production of its contents, together with the financial statements. These statements, approved by the Board of Directors, were prepared in accordance with International Financial Reporting Standards using management's best estimates and judgements, where appropriate. Financial and operating information appearing in the Annual Report is consistent with that contained in the financial statements.

Management relies on internal accounting control systems designed to provide reasonable assurance that relevant and reliable financial information is produced and that transactions comply with the relevant authorities.



James S. Paul
President and Chief Executive Officer

June 5, 2014

Management also maintains financial and management control systems and practices designed to ensure the transactions are in accordance with Part X of the *Financial Administration Act* and regulations, the *Defence Production Act*, the *Canada Business Corporations Act*, and the articles and bylaws of the Corporation. These systems and practices are also designed to ensure that assets are safeguarded and controlled, and that the operations of the Corporation are carried out effectively. In addition, the Audit Committee, appointed by the Board of Directors, oversees the internal audit activities of the Corporation and performs other such functions as are assigned to it.

The Corporation's external auditor, the Auditor General of Canada, is responsible for auditing the financial statements and for issuing his report thereon.

Angelo Ottoni
Vice-President, Corporate Services,
Chief Financial Officer and Treasurer

INDEPENDENT AUDITOR'S REPORT

TO THE MINISTER OF PUBLIC WORKS AND GOVERNMENT SERVICES CANADA

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Defence Construction (1951) Limited, which comprise the statement of financial position as at 31 March 2014, and the statement of profit and loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

OPINION

In my opinion, the financial statements present fairly, in all material respects, the financial position of Defence Construction (1951) Limited as at 31 March 2014, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the *Financial Administration Act*, I report that, in my opinion, the accounting principles in International Financial Reporting Standards have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of Defence Construction (1951) Limited that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Defence Production Act*, the *Canada Business Corporations Act* and the articles and by-laws of Defence Construction (1951) Limited.

Marise Bédard

Marise Bédard, CPA, CA
Principal
for the Auditor General of Canada

5 June 2014
Ottawa, Canada

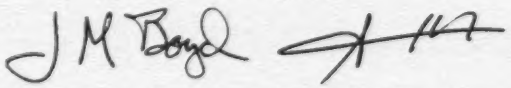
STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2014

(IN THOUSANDS OF CANADIAN DOLLARS)	NOTES	2014	2013
ASSETS			
Cash	5, 8	**$ 29,568**	$ 25,829
Investments	5, 14	**1,514**	1,206
Trade receivables	5, 9, 20	**16,331**	21,687
Prepaid and other current assets	10	**903**	718
Current Assets		**48,316**	49,440
Investments	5,14	**8,906**	8,908
Property, plant and equipment	11	**1,567**	1,954
Assets under finance lease	12	**239**	321
Intangible assets	13	**559**	560
Non-current assets		**11,271**	11,743
Total Assets		**$ 59,587**	$ 61,183
LIABILITIES AND EQUITY			
Trade and other payables	5, 16, 20	**$ 6,900**	$ 10,623
Current portion–finance lease obligation	15	**109**	131
Current portion–employee benefits	17	**570**	172
Current liabilities		**7,579**	10,926
Finance lease obligation	15	**146**	213
Employee benefits	17	**15,022**	14,393
Non-current liabilities		**15,168**	14,606
Total liabilities		**22,747**	25,532
EQUITY			
Share capital–Authorized–1,000 common shares of no par value			
Issued–32 common shares		**–**	–
Retained earnings		**36,840**	35,651
Total equity		**36,840**	35,651
Total liabilities and equity		**$ 59,587**	$ 61,183

Commitments: see note 19
Contingent liabilities: see note 22
The accompanying notes are an integral part of these financial statements.

Approved by the board on June 5, 2014



John Boyd
Director

Marc Ouellet
Director

DEFENCE CONSTRUCTION (1951) LIMITED

STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED MARCH 31, 2014

(IN THOUSANDS OF CANADIAN DOLLARS)	NOTES	2014	2013
Services revenue	20	$ 92,909	$ 114,541
Investment revenue	7	641	598
Total revenue		93,550	115,139
Salaries and employee benefits		85,288	99,262
Operating and administrative expenses	6	7,054	8,868
Depreciation of property, plant and equipment	11	973	1,062
Depreciation of assets under finance lease	12	146	118
Amortization of intangible assets	13	202	170
Finance costs	18	20	23
Total expenses		93,683	109,503
Profit (loss) for the year		(133)	5,636
Other comprehensive income			
Actuarial gain on employee benefit obligation	17	1,322	1,627
Total comprehensive income		$ 1,189	$ 7,263

The accompanying notes are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED MARCH 31, 2014

(IN THOUSANDS OF CANADIAN DOLLARS)	SHARE CAPITAL	RETAINED EARNINGS	TOTAL EQUITY
Balance at March 31, 2013	$ –	$ 35,651	$ 35,651
Profit (loss) for the year		(133)	(133)
Actuarial gain on employee benefit obligations		1,322	1,322
Total comprehensive income		1,189	1,189
Balance at March 31, 2014	$ –	$ 36,840	$ 36,840

(IN THOUSANDS OF CANADIAN DOLLARS)	SHARE CAPITAL	RETAINED EARNINGS	TOTAL EQUITY
Balance at March 31, 2012	$ –	$ 28,388	$ 28,388
Profit (loss) for the year		5,636	5,636
Actuarial gain on employee benefit obligations		1,627	1,627
Total comprehensive income		7,263	7,263
Balance at March 31, 2013	$ –	$ 35,651	$ 35,651

The accompanying notes are an integral part of these financial statements.

DEFENCE CONSTRUCTION (1951) LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2014

(IN THOUSANDS OF CANADIAN DOLLARS)	NOTES	2014	2013
Cash flow from (used in) operating activities			
Profit (loss) for the year		**$ (133)**	$ 5,636
Adjustments to reconcile profit for the year to cash provided by operating activities			
Employee benefits expense	17	**3,159**	3,095
Employee benefits payments	17	**(810)**	(7,709)
Depreciation of property, plant and equipment	11	**973**	1,062
Depreciation of assets under finance lease	12	**146**	118
Amortization of intangible assets	13	**202**	170
Amortization of investment premiums		**93**	101
Loss (gain) on sale of property, plant and equipment and assets under finance lease		**17**	(3)
Gain on sale of intangible assets		**–**	(14)
Change in non-cash operating working capital			
Trade receivables		**5,356**	1,125
Prepaids and other current assets		**(185)**	259
Trade and other payables		**(3,723)**	2,770
Net cash flows provided by operating activities		**5,095**	6,610
Cash flows from (used in) investing activities			
Acquisition of investments		**(399)**	(380)
Acquisition of property, plant and equipment	11	**(602)**	(856)
Acquisition of intangible assets	13	**(201)**	(318)
Proceeds from sale of property, plant and equipment		**–**	10
Proceeds from sale of intangible assets		**–**	30
Net cash flows used in investing activities		**(1,202)**	(1,514)
Cash flows used in financing activities			
Repayment of finance lease obligations		**(154)**	(136)
Net cash flows used in financial activities		**(154)**	(136)
Increase in cash during the period		**3,739**	4,960
Cash at the beginning of the period		**25,829**	20,869
Cash at the end of the period	8	**$ 29,568**	$ 25,829

Supplemental Cash Flow information: see note 18
The accompanying notes are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

UNLESS OTHERWISE STATED, ALL AMOUNTS ARE IN THOUSANDS OF CANADIAN DOLLARS
MARCH 31, 2014

NOTE 1: SUMMARY OF BUSINESS AUTHORITY AND OBJECTIVES

Defence Construction (1951) Limited (the "Corporation") was incorporated under the *Companies Act* in 1951 pursuant to the authority of the *Defence Production Act* and continued under the *Canada Business Corporations Act*. The Corporation's Head Office is located at 350 Albert Street, Ottawa, Ontario, Canada. The Corporation is an agent Crown corporation named in Part 1 of Schedule III to the *Financial Administration Act*. Since 1996, responsibility for the Corporation has rested with the Minister of Public Works and Government Services.

The mandate of the Corporation is to provide procurement, construction, professional, operations and maintenance services in support of the defence of Canada. The prime, but not exclusive, beneficiary of the Corporation's services has always been the Department of National Defence (DND). DCC provides services to Communications Security Establishment Canada. Revenue is generated from fees charged for specific services provided.

NOTE 2: BASIS OF PREPARATION AND PRESENTATION

These financial statements are prepared by the Corporation in accordance with the International Financial Reporting Standards (IFRS) issued by the Accounting Standards Board (AcSB). These financial statements are presented in Canadian dollars, which is the functional and presentation currency of the Corporation.

NOTE 3: SUMMARY OF ACCOUNTING POLICIES

3.1 OVERALL CONSIDERATIONS

The significant accounting policies that the Corporation applied in preparing these financial statements are summarized below.

The financial statements have been prepared based on the historical cost except for financial instruments at fair value through profit and loss. They have also been prepared using accounting policies specified by IFRS that were in effect at the end of the reporting period (March 31, 2014) or that the Corporation adopted earlier.

These accounting policies have been used throughout all periods presented in the financial statements.

3.2 FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Recognition and Initial Measurement

Financial assets and financial liabilities are recognized when the Corporation becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Classification of Financial Assets

At inception, a financial asset is classified at amortized cost or fair value.

A financial asset qualifies for amortized cost measurement only if it meets both of the following conditions:

- the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

If a financial asset does not meet both of these conditions, then it is measured at fair value.

The Corporation assesses the business model at an asset level, as this best reflects the way the business is managed and information is provided to management.

In assessing whether an asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows, the Corporation considers the following:

- management's stated policies and objectives for the asset, and the operation of those policies in practice;
- how management evaluates the performance of the asset;
- the frequency of any expected asset sales; and
- whether assets that are sold are held for an extended period relative to their contractual maturity or are sold shortly after acquisition.

Financial assets held for trading are not held within a business model whose objective is to hold the assets in order to collect contractual cash flows.

Classification of Financial Liabilities

The Corporation classifies its financial liabilities as measured at amortized cost or fair value through profit and loss.

Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Corporation measures the fair value using quoted prices in an active market, when available. If the market is not active, the Corporation establishes fair value using valuation techniques, including recent arm's-length transactions between knowledgeable, willing parties, if available.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price—that is, the fair value of consideration given or received. When the transaction price provides the best evidence of fair value at initial recognition, the financial instrument is initially measured at that price.

Identification and Measurement of Impairment

At each reporting date, the Corporation determines whether there is objective evidence that financial assets carried at amortized cost are impaired. A financial asset is impaired when objective evidence demonstrates a loss has occurred after the initial recognition of the asset.

3.3 CASH

For the purposes of the statements of cash flows, cash includes cash on hand and in banks.

3.4 INVESTMENTS

Investments consist of non-derivative financial assets with fixed or determinable payments and fixed maturities. The Corporation currently holds listed bonds and mutual fund accounts that are recorded at cost and amortized using the effective interest method. The investments held are consistent with the policy approved by the Board of Directors. Interest income is accrued when earned and included in income for the year.

3.5 TRADE RECEIVABLES

Trade receivables are amounts due from customers for services rendered in the ordinary course of business. Trade receivables are classified as current assets if payment is due within one year or less. Trade receivables are recognized initially at fair value. Subsequent measurement of trade receivables are at amortized cost.

The Corporation does not maintain an allowance for doubtful accounts, as all trade receivables are receivable from the Government of Canada.

3.6 INTANGIBLE ASSETS

Intangible assets include acquired and internally developed software used in business operations. When the software does not form an integral part of the machinery or computer hardware to which it relates, it is separately accounted as an intangible asset. They are accounted for using the cost model, whereby capitalized costs are amortized on a straight-line basis over their estimated useful life. The estimated useful life of software is three to 10 years.

Items of intangible assets measured at cost are assessed for impairment at each reporting period. Assets are impaired when the recoverable amount is less than the carrying amount. The recoverable amount is the greater of fair value less cost to sell and value in use.

3.7 PROPERTY, PLANT AND EQUIPMENT, AND ASSETS UNDER FINANCE LEASE

Computer equipment, furniture and fixtures, leasehold improvements, and assets under finance lease are stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is charged so as to write off the cost over the estimated useful life of such assets, using the straight-line method. The following useful lives are used to calculate depreciation:

COMPUTER EQUIPMENT	3 to 5 years
FURNITURE AND FIXTURES	5 years
LEASEHOLD IMPROVEMENTS	5 to 10 years
ASSETS UNDER FINANCE LEASE	5 years

The estimated useful lives, residual values and depreciation methods are reviewed at each year end, with the effect of any changes in estimates accounted for on a prospective basis.

The gain or loss arising on the disposal or retirement of an item of property, plant or equipment is determined as the difference between the sales proceeds and the carrying amount of the asset, and is recognized in profit and loss.

Items of property, plant and equipment, and assets under finance lease measured at cost less depreciation and impairment losses are assessed for impairment at each reporting period. Assets are impaired when the recoverable amount is less than the carrying amount. The recoverable amount is the greater of the fair value less cost to sell and the value in use.

3.8 LEASES

Leases are classified as either operating or finance, based on the substance of the transaction at the inception of the lease. Classification is reassessed if the terms of the lease change.

Operating Lease

Leases in which a significant portion of the risks and rewards of ownership is retained by the lessor are classified as operating leases. Payments under an operating lease (net of any incentive received by the lessor) are recognized in the statement of comprehensive income on a straight-line basis over the period of the lease.

Finance Lease

Assets held under finance leases are initially recognized as assets of the Corporation at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between the finance expenses and reduction of the lease obligation to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognized immediately in profit and loss.

3.9 TRADE AND OTHER PAYABLES

Trade and other payables are obligations to pay for goods and services that have been acquired in the ordinary course of business. Trade and other payables are classified as current liabilities if payment is due within one year or less. Trade and other payables are recognized initially at fair value and subsequently measured at amortized cost.

3.10 PROVISIONS AND CONTINGENT LIABILITIES

Provisions are liabilities to the Corporation for which the amount or timing is uncertain. Provisions are recognized when: (a) the Corporation has a current legal or constructive obligation as a result of past events; (b) an outflow of resources will likely be required to settle the obligation; and (c) the amount can be reliably estimated. If any of these conditions are not met, no provision shall be recognized and a contingent liability will be disclosed in note 22.

3.11 EMPLOYEE BENEFITS

Employees are entitled to specific non-pension post-employment allowances and benefits. Each year, independent actuaries use the projected unit credit method to actuarially determine the net periodic expense. To do so, they make assumptions about such factors as the discount rate for obligations, expected mortality, the expected rate of future compensation and the expected health care cost trend rate. All actuarial gains and losses that arise in calculating the present value of the defined benefit obligation are recognized immediately in other comprehensive income and included in the statement of comprehensive income.

The Corporation provides post-employment benefits payable after completion of employment. The types of post-employment benefits include extended health care and paid-up life insurance.

The Corporation provides sick leave as other employee benefits. Sick leave is accumulated by employees and available in case of absence from work. Accumulated sick leave is not paid out when the employee leaves the Corporation.

3.12 PENSION BENEFITS

Substantially all of the employees of the Corporation are covered by the public service pension plan (the "Plan"), a contributory defined benefit plan established through legislation and sponsored by the Government of Canada. Contributions are required by both the employees and the Corporation to cover current service cost. Under current legislation, the Corporation has no legal or constructive obligation to make further contributions for any past service or funding deficiencies of the Plan. Consequently, contributions are recognized as an expense in the year when employees have rendered service and represent the total pension obligation of the Corporation.

3.13 REVENUE RECOGNITION

The Corporation does not generate revenue from the sale of goods, from dividends or from royalties.

Service Revenue

Revenue comes from the delivery of services to the client. It is measured by reference to the fair value of consideration received or receivable for services provided.

Revenue is recognized when the amount of revenue can be measured reliably, the economic benefits associated with the transaction flows to the Corporation and the costs incurred, or to be incurred, can be measured reliably.

Revenue from an arrangement to provide services is recognized using the time and materials method as the agreed rates as labour hours are delivered and direct expenses are incurred and using the fixed fee method where the client is billed a regular monthly amount.

Investment Revenue

Investment revenue is recognized on an accrual basis using the effective interest method.

3.14 TAXATION

The Corporation is not subject to corporate taxation under section 149(1)(d) of the *Income Tax Act*.

3.15 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

3.15.1 New standards, amendments and interpretations effective April 1, 2013

Certain pronouncements were issued by the International Accounting Standards Board (IASB) or the IFRS Interpretations Committee (Interpretations Committee) that were mandatory for accounting periods beginning on or after April 1, 2013. The following new standards, amendments and interpretations adopted by the Corporation on April 1, 2013, affected the presentation of balances or related disclosure.

IFRS 13 "Fair Value Measur... " (IFRS 13)

IFRS 13 defines fair value, sets out in a single IFRS a framework to measure fair value and requires disclosures about fair value measurements. This standard was applied prospectively beginning January 1, 2013. The mandatory adoption did not have a significant impact on the Corporation's financial statements.

Amendments to IAS 19 "Employee Benefits" (IAS 19)

The amendments to IAS 19 had minimal impact on the valuation of the liability of the Corporation and only required additional disclosures.

3.15.2 Early adoption of new standards, amendments and interpretations effective April 1, 2013

IFRS 9 Financial Instruments ("IFRS 9")

The Corporation has elected to apply IFRS 9 Financial Instruments (as amended in November 2013) early. The Corporation applied this IFRS retrospectively as of the first date on which IFRS applied, April 1, 2010 (note 5).

IFRS 9 defines two primary measurement categories for financial assets: amortized cost and fair value. A financial asset is measured at amortized cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, and the asset's contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. All other financial assets are measured at fair value.

For investments in equity instruments that are not held for trading, IFRS 9 allows an irrevocable election, on an investment-by-investment basis, to present fair value changes from the investment in other comprehensive income. Dividends on such investments are generally recognized in profit and loss.

IFRS 9 requires that the effects of changes in the credit risk of liabilities designated as at fair value through profit and loss be presented in other comprehensive income, unless such treatment would create or enlarge an accounting mismatch in profit and loss. In that case, all gains and losses on that liability are presented in profit and loss.

3.15.3 Standards, amendments and interpretations not yet in effect

The Corporation has reviewed new and revised accounting pronouncements that have been issued by the International Accounting Standards Board (IASB) but are not yet effective and have not been early adopted, to determine the impact on the Corporation. There were no amendments and interpretations issued by the IASB and the Interpretations Committee that would have a possible effect on the Corporation in the future.

NOTE 4: CRITICAL ACCOUNTING ESTIMATES

Under the Corporation's accounting policies described in note 3, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed regularly. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

4.1 DEPRECIATION AND AMORTIZATION

The Corporation reviews the estimated life of property, plant and equipment, intangible assets, and assets under finance lease at each year end. As a result of this review, there were no changes required in the current period.

4.2 EMPLOYEE BENEFITS

The Corporation provides employee benefits to cover extended health care, life insurance and sick leave benefits. The determination of expenses and obligations associated with employee benefits requires the use of assumptions about such factors as the discount rate for measuring obligations, mortality rates, the rate of future compensation and health care cost trends. Because determining the expenses and obligations associated with employee benefits requires the use of such assumptions, measurement uncertainty is inherent in the actuarial valuation process. Actual results may differ from results estimated based on assumptions. See note 17 for further details.

NOTE 5: FINANCIAL ASSETS AND LIABILITIES CLASSIFICATION

AS AT MARCH 31, 2014	FAIR VALUE THROUGH PROFIT AND LOSS	FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	AMORTIZED COST	TOTAL CARRYING AMOUNT
Cash	$ 29,568	$ –	$ –	$ 29,568
Investments	–	–	10,420	10,420
Trade receivables	–	–	16,331	16,331
Other current assets	–	–	24	24
Financial assets	29,568	–	26,775	56,343
Account payable	–	–	1,690	1,690
Accrued liabilities	–	–	1,607	1,607
Finance lease obligation	–	–	255	255
Financial liabilities	$ –	$ –	$ 3,552	$ 3,552

AS AT MARCH 31, 2013	FAIR VALUE THROUGH PROFIT AND LOSS	FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	AMORTIZED COST	TOTAL CARRYING AMOUNT
Cash	$ 25,829	$ –	$ –	$ 25,829
Investments	–	–	10,114	10,114
Trade receivables	–	–	21,687	21,687
Other current assets	–	–	17	17
Financial assets	25,829	–	31,818	57,647
Account payable	–	–	3,767	3,767
Accrued liabilities	–	–	2,593	2,593
Finance lease obligation	–	–	344	344
Financial liabilities	$ –	$ –	$ 6,704	$ 6,704

Cash, trade receivables, other current assets and trade and other payables are presented at the carrying values because the carrying value approximates fair value. Fair value for investments is disclosed in note 14.

5.1 CREDIT RISK

Credit risk is the risk that one party to a financial instrument might not meet its obligations under the terms of the financial instrument. The carrying value of financial assets subject to credit risk as at March 31, 2014, was $56,343 (as at March 31, 2013, it was $57,647) and represented the Corporation's maximum exposure to credit risk. The Corporation does not use credit derivatives or similar instruments to mitigate this risk and, as such, the maximum exposure is the full carrying value or face value of the financial asset. The Corporation minimizes credit risk on cash by depositing the cash only with reputable and high-quality financial institutions. The Corporation has no significant exposure to credit risk on trade receivables, as all of the trade receivables are due from the Government of Canada. With the exception of amounts due from the Department of National Defence and other government departments, there is no concentration of trade receivables with any one customer. Based on historic default rates and the aging analysis in note 9, Trade Receivables, the Corporation believes that there are no requirements for an allowance for doubtful accounts. Other current assets consist of balances related to travel advances to employees and computer loans to employees. Prepaids are not included in other current assets.

5.2 LIQUIDITY RISK

Liquidity risk is the risk that an entity will encounter difficulty in meeting its obligations associated with financial liabilities. The carrying value of financial liabilities for trade and other payables and obligations under capital leases as at March 31, 2014, was $3,552 (as at March 31, 2013, it was $6,704) and represented the maximum exposure of the Corporation. The Corporation manages its liquidity risk by monitoring and managing its cash flow from operations and anticipated investing activities. The liquidity risk is low, since the Corporation does not have debt instruments and derives its cash flow from services offered to the Government of Canada. Maturity analysis in note 16 shows low risk as virtually all obligations are current. In addition, as at March 31, 2014, the Corporation's financial assets exceeded its financial liabilities by $52,791 (as at March 31, 2013, its financial assets exceeded its financial liabilities by $50,943).

The following are the contractual maturities of financial liabilities, including estimated interest payments:

AS AT MARCH 31, 2014	CARRYING AMOUNT	CONTRACTUAL CASH FLOWS	6 MONTHS OR LESS	MORE THAN 6 MONTHS
Accounts payable	$ 1,690	$ 1,690	$ 1,690	$ –
Accrued liabilities	1,607	1,607	1,607	–
Finance lease obligations	255	274	66	208
Financial liabilities	$ 3,552	$ 3,571	$ 3,363	$ 208

AS AT MARCH 31, 2013	CARRYING AMOUNT	CONTRACTUAL CASH FLOWS	6 MONTHS OR LESS	MORE THAN 6 MONTHS
Accounts payable	$ 3,767	$ 3,767	$ 3,767	$ –
Accrued liabilities	2,593	2,593	2,593	–
Finance lease obligations	344	373	74	299
Financial liabilities	$ 6,704	$ 6,733	$ 6,434	$ 299

5.3 MARKET RISK

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. It comprises three types of risk: currency risk, interest rate risk and other price risk. The Corporation's financial assets and liabilities are not exposed to fluctuations in currency risk and other price risk, given their underlying nature and characteristics.

The Corporation is exposed to fluctuations in interest rates on its investments. As at March 31, 2014, all of the investments ($10,420) were in fixed interest-bearing instruments (as at March 31, 2013, the comparable figure was $10,114). Fluctuations in the interest rate would affect the fair value of the instruments. Management intends to hold these instruments until maturity. The Corporation has determined that the risk is not significant.

NOTE 6: OPERATING AND ADMINISTRATIVE EXPENSES

OPERATING AND ADMINISTRATIVE EXPENSES	2014	2013
Rent	$ 2,141	$ 2,302
Employee training and development	1,263	1,559
Professional services	887	1,793
Software maintenance	645	620
Telephone and data communications	617	672
Travel	441	575
Office services, supplies and equipment	413	490
Printing and stationery	146	181
Staff relocation	143	178
Client services and communications	111	129
Furniture and equipment	52	86
Postage and freight	50	60
Computer equipment	42	53
Memberships and subscriptions	25	42
Other	78	128
	$ 7,054	$ 8,868

NOTE 7: INVESTMENT REVENUE

	2014	2013
INTEREST FROM:		
Bank deposits	$ 309	$ 304
Investments	332	294
	$ 641	$ 598

NOTE 8: CASH

	AS AT MARCH 31, 2014	AS AT MARCH 31, 2013
Cash in the bank	$ 29,568	$ 25,829

There are no restrictions on cash.

NOTE 9: TRADE RECEIVABLES

Trade receivables are due entirely from related parties (see note 20).

	AS AT MARCH 31, 2014	AS AT MARCH 31, 2013
Trade receivables	$ 16,331	$ 21,687

The aging of the trade receivables was as follows:

	AS AT MARCH 31, 2014	AS AT MARCH 31, 2013
Current	$ 8,364	$ 12,325
Past due 0–30 days	7,892	8,688
Past due 31–60 days	34	521
Past due 61–90 days	–	–
Past due 91 plus days	41	153
	$ 16,331	$ 21,687

NOTE 10: PREPAID AND OTHER CURRENT ASSETS

	AS AT MARCH 31, 2014	AS AT MARCH 31, 2013
Prepaid expenses	**$ 230**	$ 549
Other receivables	**649**	152
Travel advances	**18**	2
Employee advances	**6**	15
	$ 903	$ 718

NOTE 11: PROPERTY, PLANT AND EQUIPMENT

	AS AT MARCH 31, 2014	AS AT MARCH 31, 2013
Cost	$ 5,760	$ 7,885
Less: Accumulated depreciation	4,193	5,931
Net book value	**$ 1,567**	**$ 1,954**
NET BOOK VALUE BY ASSET CLASS		
Computer equipment	$ 1,339	$ 1,440
Furniture and fixtures	153	294
Leasehold improvements	75	220
Net book value	**$ 1,567**	**$ 1,954**

The changes in property, plant and equipment are shown in the following table:

	COMPUTER EQUIPMENT	FURNITURE AND FIXTURES	LEASEHOLD IMPROVEMENTS	TOTAL
COST				
Balance as at March 31, 2012	**$ 3,292**	**$ 1,903**	**$ 1,844**	**$ 7,039**
Plus: Additions	763	56	37	856
Less: Disposals	10	–	–	10
Balance as at March 31, 2013	**$ 4,045**	**$ 1,959**	**$ 1,881**	**$ 7,885**
Plus: Additions	528	9	65	602
Less: Disposals	1,398	1,329	–	2,727
Balance as at March 31, 2014	**$ 3,175**	**$ 639**	**$ 1,946**	**$ 5,760**

The changes in accumulated depreciation are shown in the following table:

ACCUMULATED DEPRECIATION	COMPUTER EQUIPMENT	FURNITURE AND FIXTURES	LEASEHOLD IMPROVEMENTS	TOTAL
Balance as at March 31, 2012	**$ 1,944**	**$ 1,534**	**$ 1,394**	**$ 4,872**
Plus: Depreciation	664	131	267	1,062
Less: Disposals	3	–	–	3
Balance as at March 31, 2013	**$ 2,605**	**$ 1,665**	**$ 1,661**	**$ 5,931**
Plus: Depreciation	625	138	210	973
Less: Disposals	1,394	1,317	–	2,711
Balance as at March 31, 2014	**$ 1,836**	**$ 486**	**$ 1,871**	**$ 4,193**

There is no impairment of property, plant and equipment.

NOTE 12: ASSETS UNDER FINANCE LEASE

Assets under finance lease consist of multi-function copiers leased under finance arrangements by the Corporation.

	AS AT MARCH 31, 2014	AS AT MARCH 31, 2013
Cost	**$ 683**	$ 690
Less: Accumulated depreciation	**444**	369
Net book value	**$ 239**	$ 321

The changes to assets under finance lease are detailed in the following table:

COST	TOTAL
Balance as at March 31, 2012	**$ 610**
Plus: Additions	116
Less: Disposals	36
Balance as at March 31, 2013	**$ 690**
Plus: Additions	65
Less: Disposals	72
Balance as at March 31, 2014	**$ 683**

The changes in accumulated depreciation are shown in the following table:

ACCUMULATED DEPRECIATION	TOTAL
Balance as at March 31, 2012	**$ 287**
Plus: Depreciation	118
Less: Disposals	36
Balance as at March 31, 2013	**$ 369**
Plus: Depreciation	146
Less: Disposals	71
Balance as at March 31, 2014	**$ 444**

There is no impairment of assets under finance lease.

NOTE 13: INTANGIBLE ASSETS

Intangible assets consist of software purchased by the Corporation.

	AS AT MARCH 31, 2014	AS AT MARCH 31, 2013
Cost	**$ 967**	$ 4,555
Less: Accumulated amortization	**408**	3,995
Net book value	**$ 559**	$ 560

Changes to intangible assets are detailed in the following table:

	TOTAL
COST	
Balance as at March 31, 2012	**$ 4,267**
Plus: Additions	318
Less: Disposals	30
Balance as at March 31, 2013	**$ 4,555**
Plus: Additions	201
Less: Disposals	3,789
Balance as at March 31, 2014	**$ 967**

Changes to accumulated amortization are detailed in the following table:

	TOTAL
ACCUMULATED AMORTIZATION	
Balance as at March 31, 2012	**$ 3,839**
Plus: Amortization	170
Less: Disposals	14
Balance as at March 31, 2013	**$ 3,995**
Plus: Amortization	202
Less: Disposals	3,789
Balance as at March 31, 2014	**$ 408**

There is no impairment of intangible assets.

NOTE 14: INVESTMENTS

Investments consist of Canadian, provincial and corporate bonds with fixed interest rates ranging from 2.50% to 6.15%, and mutual funds with variable interest rates. The maturity dates of the bonds vary from 2014 to 2027 and are intended to be held to maturity. The mutual fund accounts can be liquidated on demand. The carrying amounts, measured at the amortized cost and fair value of these investments, are shown in the following table.

The fair value of the investments can be determined by: (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1); (b) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3). The fair values of the investments are determined from quoted prices in active markets which is Level 1.

The current portion of investments consists of instruments maturing in the next 12 months.

	AS AT MARCH 31, 2014	AS AT MARCH 31, 2013
CARRYING AMOUNT AT AMORTIZED COST:		
Bonds	**$ 10,414**	$ 9,809
Mutual funds	**6**	305
	$ 10,420	$ 10,114

	AS AT MARCH 31, 2014	AS AT MARCH 31, 2013
Current portion	**$ 1,514**	$ 1,206
Non-current portion	**8,906**	8,908
	$ 10,420	$ 10,114

	AS AT MARCH 31, 2014	AS AT MARCH 31, 2013
FAIR VALUE:		
Bonds	**$ 10,788**	$ 10,354
Mutual funds	**6**	305
	$ 10,794	$ 10,659

NOTE 15: FINANCE LEASE OBLIGATION

The net book amount of the finance lease obligation was $255 as at March 31, 2014 (March 31, 2013 – $344) for multi-function copiers held under finance leases. The Corporation added $65 in lease obligations in the year ended March 31, 2014, and $116 in the comparable period ended March 31, 2013.

	AS AT MARCH 31, 2014	AS AT MARCH 31, 2013
Current portion	**$ 109**	$ 131
Non-current portion	**146**	213
Finance lease obligation	**$ 255**	$ 344

The leases are for a term of five years from the inception of the lease. Interest rates underlying the obligations under finance leases are fixed at contract dates and range from 1% to 29% per annum. The reconciliation of the minimum lease payments is shown in the following table.

	AS AT MARCH 31, 2014	AS AT MARCH 31, 2013
MINIMUM LEASE PAYMENTS		
Within one year	**$ 120**	$ 147
Within 2 to 5 years	**154**	226
	274	373
Less: Finance charges included in lease payments		
Within one year	**11**	16
Within 2 to 5 years	**8**	13
	19	29
Finance lease obligation	**$ 255**	$ 344

No contingent rents are included in the finance leases. No sublease payments are expected for any finance lease as at the date of the statement of financial position. There are no terms of renewal, purchase options or escalation clauses in the leases, and no restrictions are imposed under the lease arrangements.

NOTE 16: TRADE AND OTHER PAYABLES

Trade and other payables of the Corporation principally comprise amounts outstanding for purchases relating to corporate activities, accruals for employee vacations and overtime, and payroll and commodity taxes. The usual credit period for trade purchases is 30 days.

	AS AT MARCH 31, 2014	AS AT MARCH 31, 2013
Accounts payable	**$ 1,690**	$ 3,767
Accrued vacation and overtime	**2,857**	3,266
Accrued liabilities	**1,607**	2,593
Commodity taxes payable	**746**	997
	$ 6,900	$ 10,623

The following is an aged analysis of the accounts payable.

	AS AT MARCH 31, 2014	AS AT MARCH 31, 2013
Less than 1 month	**$ 1,684**	$ 3,693
1 to 3 months	**6**	73
3 to 6 months	**–**	1
	$ 1,690	$ 3,767

Accounts payable include balances with related parties. (See also note 20.)

	AS AT MARCH 31, 2014	AS AT MARCH 31, 2013
Third-party balances	**$ 1,655**	$ 3,672
Related-party balances	**35**	95
	$ 1,690	$ 3,767

NOTE 17: EMPLOYEE BENEFITS

17.1 POST-EMPLOYMENT AND OTHER LONG-TERM EMPLOYEE BENEFITS

Post-employment and other long-term employee benefits represent the Corporation's liability for the estimated costs of sick leave for employees, retirement allowance for certain employees at retirement as well as health and life insurance benefits for its retirees. The benefit plan is not funded and thus has no assets, resulting in a plan deficit equal to the accrued benefit obligation.

	AS AT MARCH 31, 2014	AS AT MARCH 31, 2013
Total employee benefits	**$ 15,592**	$ 14,565
Less: Current portion	**570**	172
	$ 15,022	$ 14,393

The health care cost trend rate is assumed to exceed inflation by 2.5% per annum for future years. The measurement date for the last actuarial valuation of the provision for employee benefits was April 1, 2014. The next actuarial valuation is planned for April 2015.

The significant actuarial assumptions adopted in measuring the Corporation's retirement allowance and non-pension benefits are as follows:

	2014	2013
Discount rate for projected benefit obligation	**4.65%**	4.35%
Average rate of general salary increases	**3.50%**	3.50%
Assumed health care cost trend rate	**5.00%**	5.00%
Ultimate health care cost trend rate	**5.00%**	5.00%
Year ultimate health care cost trend rate is reached	**2014**	2013
Mortality projection	**CPM2014**	Up94@2020
Mortality improvement scale	**B1-2014**	AA
Retirement age	**62**	62

Movements in the present value of the defined benefits obligation during the year are as follows:

	2014	2013
Opening value of obligation	**$ 14,565**	$ 20,806
Current service cost	**2,489**	2,730
Interest on present value of obligation	**670**	797
Gain on settlement of benefits	**–**	(432)
Employee benefit payments	**(810)**	(7,709)
Actuarial (gains)/losses from demographic assumptions	**2,136**	–
Actuarial (gains)/losses from financial assumptions	**(3,458)**	(1,627)
Closing value of benefits obligation	**$ 15,592**	$ 14,565

Included in actuarial (gains)/losses from demographic assumptions is the effects of changes in mortality rates which are a key demographic assumption used in the valuation of the employee benefit obligation. The Canadian Institute of Actuaries ("CIA") released new mortality tables in February 2014, 2014 Mortality Table with CPM improvement scale B, which had the effect of increasing the liability for post-retirement employee benefits.

Included in the actuarial gains from financial assumptions are the adjustments due to the effect of the discount rate applied to the employee benefits obligation and the experience adjustment.

Amounts recognized in profit and loss for the year in respect of this defined benefit plan are as follows:

	2014	2013
Current service cost	**$ 2,489**	$ 2,730
Interest on present value of obligation	**670**	797
Gain on settlement of benefit	**–**	(432)
Employee benefit expenses	**$ 3,159**	$ 3,095

Sensitivity Analysis

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

	INCREASE (DECREASE) IN THE BENEFIT OBLIGATION	
	INCREASE OF 1%	DECREASE OF 1%
Discount rate for defined benefit obligation: 4.65%	$ (2,722)	$ 3,688
Average rate of general salary increases: 3.50%	$ 38	$ (36)
Assumed health care cost trend rate: 5.00%	$ 3,543	$ (2,676)

The Corporation expects to expense $2,200 in 2015 (2014 – $2,489) for current service costs related to employee benefits.

17.2 PENSION BENEFITS

Almost all of the employees of the Corporation are covered by the public service pension plan (the "Plan"), a contributory defined benefit plan established through legislation and sponsored by the Government of Canada. Employees and the Corporation must both contribute.

The President of the Treasury Board of Canada sets the required employer contributions based on a multiple of the employees' required contribution. The general contribution rate effective at year end was 12.08% (2013 – 11.84%). Total contributions of $8,093 (2013 – $9,267) were recognized as expense in the current year.

The Government of Canada has a statutory obligation to pay benefits under the Plan. Pension benefits generally accrue up to a maximum period of 35 years at an annual rate of 2% of pensionable service times the average of the best five consecutive years of earnings. The benefits are coordinated with Canada/Quebec Pension Plan benefits and are indexed to inflation.

NOTE 18: SUPPLEMENTAL OPERATING CASH FLOW INFORMATION

	2014	2013
Interest charges on finance leases	**$ 20**	$ 23
Interest received from bank deposits	**$ 309**	$ 304
Interest received from investments	**$ 403**	$ 380

NOTE 19: LEASE COMMITMENTS

The Corporation leases office space for its operations to meet client requirements. The Corporation has entered into leases for the co-location of Department of National Defence (DND) and Corporation staff to jointly deliver services. These co-location leases are recoverable from DND.

AS AT MARCH 31, 2014	CORPORATION LEASES	CO-LOCATION LEASES	TOTAL
April 1, 2014 to March 31, 2015	**$ 1,491**	**$ 2,279**	**$ 3,770**
April 1, 2015 to March 31, 2016	**1,733**	**2,139**	**3,872**
April 1, 2016 to March 31, 2017	**1,077**	**178**	**1,255**
April 1, 2017 to March 31, 2018	**851**	**–**	**851**
After April 1, 2018	**709**	**–**	**709**
	$ 5,861	**$ 4,596**	**$ 10,457**

AS AT MARCH 31, 2013	CORPORATION LEASES	CO-LOCATION LEASES	TOTAL
April 1, 2013 to March 31, 2014	$ 1,794	$ 3,082	$ 4,876
April 1, 2014 to March 31, 2015	437	2,942	3,379
April 1, 2015 to March 31, 2016	395	2,802	3,197
April 1, 2016 to March 31, 2017	191	242	433
After April 1, 2017	–	–	–
	$ 2,817	$ 9,068	$ 11,885

Subsequent to the year end, the Corporation signed a new lease agreement. The value of the lease in the future periods are: April 1, 2014 to March 31, 2015 – $72; April 1, 2015 to March 31, 2016 to April 1, 2016 to March 31, 2018 – $123 annual and $191 after April 1, 2018.

NOTE 20: RELATED-PARTY TRANSACTIONS AND BALANCES

The Corporation is related in terms of common ownership to all Government of Canada departments, agencies and Crown corporations. The Corporation enters into transactions with these entities in the normal course of business under its stated mandate. These transactions are measured at the fair value, which is the actual amount of the consideration given or received for the services provided. The entire Corporation's services revenue of $92,909 (2013 – $114,541) was generated from services provided to DND. In the National Capital Region, Public Works and Government Services Canada manages DND facilities and pays the Corporation to engage contractors to provide infrastructure services.

The Corporation incurred expenses with other departments of the Government of Canada. These transactions totaled $190 (2013 – $309).

In accordance with a memorandum of understanding between DND and the Corporation, DND is to provide office accommodations free of charge to the Corporation's service delivery personnel at DND-owned bases and wings and at other locations. Where office space is not provided, and for the Corporation's service delivery personnel who cannot be accommodated at a DND-owned facility, accommodation costs are recovered either as an out-of-pocket reimbursable disbursement or through the hourly billing rates established for the services provided.

	AS AT MARCH 31, 2014	AS AT MARCH 31, 2013
DUE FROM:		
Department of National Defence	**$ 14,881**	$ 19,727
Canadian Forces Housing Agency	**1,145**	892
Communication Security Establishment Canada	**194**	3
Shared Services Canada	**100**	–
Public Works and Government Services Canada	**11**	1,065
	$ 16,331	$ 21,687
DUE TO:		
Public Works and Government Services Canada	**35**	94
Environment Canada	**–**	1
	$ 35	$ 95

20.1 COMPENSATION OF KEY MANAGEMENT PERSONNEL

Key management personnel are those persons—including directors of the Corporation—having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly.

	2014	2013
Short-term benefits	**$ 2,302**	$ 2,478
Post-employment benefits	**73**	81
	$ 2,375	$ 2,559

NOTE 21: CAPITAL MANAGEMENT

The Corporation's objectives in managing capital are to safeguard the Corporation's ability to continue as a going concern and fulfill its stated mandate, generate sufficient cash to meet its anticipated operating and capital requirements, and settle its financial obligations as they come due.

In determining the amount of cash reserves carried for operating needs, the Corporation considers the planning and operating risks inherent in its operations, particularly the risk associated with potential and unanticipated changes to the amount or timing of construction project expenditures by the Department of National Defence. Cash levels are constantly monitored, and any surpluses or shortfalls that may occur from time to time during certain operating periods are taken into account in the determination of billing rates for future services. The Corporation's capital consists of its retained earnings.

NOTE 22: CONTINGENT LIABILITIES

22.1 LEGAL CLAIMS

The Corporation's efforts to resolve contract disputes are reflected in the number and value of contract claims before the courts. As at March 31, 2014, there were 8 ongoing claims totalling $7.7 million. These figures compare with 15 ongoing claims with a total value of $10.2 million as at March 31, 2013.

In accordance with the memorandum of understanding (MOU) between the Corporation and DND, DND accepts the legal and financial risks associated with claims resulting from third-party contracts put in place by the Corporation. Thus, the financial risk associated with settling these contractual claims does not have any financial impact on the Corporation. As a result, the Corporation does not consider it necessary to record any provision in its financial statements relating to legal claims.